Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0 650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L100.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong ...... HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr7.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,291 Wednesday July 22 1987 D 8523 A

Wily Pinochet digs in for next term, Page 4

World News

Afrikaners protest as liberals return

Hundreds of right-wing Afrikaners turned up at Johannesburg's Jan Smuts Airport to vent their rage against a returning Afrikaner delegation which has spent the last two weeks talking with the banned African National Congress in Dakar and visiting black Africa. Page 18

Attache expelled

Bulgaria's military attache in London Col Ivan Pavlov has been expelled for suspected espionage. He was given 14 days to leave because of what the Foreign Office described as "activities incompatible with his status." Page 6

Mozambique deaths

More than 300 people, including women, children and hospital patients, were killed in a rebel attack in and around the town of Homoine, 500km north of Maputo. Page 3

East-West ties

West German Foreign Minister Hans-Dietrich Genscher and his Hungarian counterpart Peter Varkonyi discussed East-West relations and arms control in Bremen as part of regular consultations.

Arrests in Dhaka

Bangladesh police arrested over 50 dissidents to prevent attempts to disrupt "public life" during a 54-hour strike called by opposition groups and due to start today.

Soviet journalists

The Soviet Union has accused the US of violating provisions of the 1975 Helsinki agreement by restricting access for Soviet journalists to White House and State Department briefings

Squatters in the cold

Scores of black squatter families spent a freezing night in the open after local authorities demolished their shacks in a Johannesburg township.

Late monsoon

India's wayward monsoon has set a record for its late arrival and inhabitants of the northern plains are praying for relief from the summer heat. In 80 years of record-keeping, July 20 was until this year the latest date on which the rains had reached Delhi.

Emergency food

The United Nations World Food Programme will grant nearly $21m in emergency food aid to help refugees and displaced people in Pakistan, Lebanon, Cameroon and Malawi.

EC flood aid

The European Community extended $550,000 in aid to families affected by floods which killed at least 16 and left thousands homeless in Italy last weekend.

Camp clashes

Heavy clashes flared for a fifth day around Palestinian refugee camps near Sidon in the worst fighting for three months. Palestinian groups appealed to Syria to deploy observers to help end the fighting between Palestinians and the Amal militia.

Japan secrets

The Soviet Embassy in Tokyo rejected a Japanese request that one of its diplomats submit to police questioning about the possible illegal transfer of commercial secrets from Japan to Moscow.

Tamil peace plan

Indian officials and Tamil leaders met in the Indian city of Madras for talks on new proposals to resolve Sri Lanka's ethnic conflict.

Heat wave

Bulgaria sweltered under a heat wave with temperatures at a record 41.8 degrees centigrade, causing the death of at least one person from sunstroke.

Business Summary

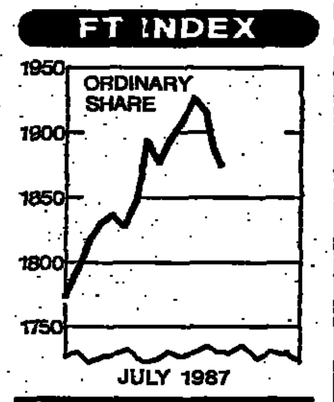
Chrysler results better than expected

CHRYSLER, third largest US motor manufacturer, surprised Wall Street with stronger than expected net income for the second quarter and a 12.5 per cent growth in revenues despite falling unit sales. Page 19

WALL STREET: The Dow Jones industrial average closed down 19.77 at 2,467.95. Page 44

LONDON: Unsettled by interest rate worries and the prospect of BP's £1.5bn share offering, equities and gilts fell despite late rallies. The FT-SE 100 index fell 10.2 to 2,390 and the FT Ordinary index lost 17.6 to 1,872.0. Page 44

FT INDEX



TOKYO: Small-lot selling persisted in Tokyo yesterday, driving share prices sharply lower. The Nikkei average ended 250.26 points lower at 23,078.36. Page 44

GOLD rose $1.00 on the London bullion market to close at $452.25. It also rose in Zurich to $452.25 ($450.95). Page 32

DOLLAR closed in New York at DM 1.8585, Y151.75, SFr 1.5425 and FFr 6.1825. It rose in London to DM 1.8655 (DM 1.8620); to FFr 6.6025 (FFr 6.1950); but fell to Y152.70 (Y152.80); and to SFr 1.5480 (SFr 1.5505). On Bank of England figures, the dollar's exchange rate index remained unchanged at 103.9. Page 33

STERLING fell in London to $1.5960 ($1.6020); DM 2.9775 (DM 2.9825); Y243.75 (Y244.75); SFr 2.47 (SFr 2.4850); and FFr 9.90 (FFr 9.9250). The pound's exchange rate index fell 0.1 to 72.9. It closed in New York at $1.6025. Page 33

CITICORP, largest US banking group, said its latest earnings would have increased by 22.5 per cent to $288m had it not had to add $3bn to its loan loss reserves. Page 19

ALLIED-SIGNAL, diversified US industrial group strong in aerospace and automotive componenets, has suffered a one-third fall in earnings because of thinner profits margins and an unfavourable mix of sales. Page 19

HENLEY GROUP, collection of unprofitable businesses spun-off by Allied Signal just over a year ago, announced a $700m cash tender offer for nearly a quarter of its own shares and plans to raise its stake in Santa Fe Southern Pacific, troubled railroad and energy group. Page 19

AMERICAN EXPRESS, financial services conglomerate, has reported a small second quarter loss, as forecast, because of a $600m addition to loan loss reserves for Third World debt. Page 19

MBB, West Germany's leading aerospace group, fell DM 140m ($75.2m) into loss last year, after DM 109m profits in 1985. The company is expecting a DM 95m loss in the current business year. Page 20

PARIBAS, French investment banking group, has acquired for about FFr 500m ($80.6m) a 13.4 per cent stake in Compagnie Luxembourgeoise de Telediffusion (CLT), the Luxembourg-based broadcasting group, from Schlumberger, the Franco-American oil services company. Page 20

EAST-WEST AIRLINES, aggressive discount airline operating out of New South Wales, and Skywest, West Australian airline, have been sold for an undisclosed sum to a Perth-based group. Page 21

US rejects Soviet offer for Gulf co-operation talks

BY OUR FOREIGN STAFF

THE US yesterday turned down a Soviet offer of top-level talks on co-operation in the Gulf, following the UN Security Council's unanimous call for a ceasefire in the Iran-Iraq war on Monday night.

The Foreign Ministry in Moscow said Mr Mikhail Gorbachev, the Soviet leader, had written to President Ronald Reagan offering to hold specific discussions on the Gulf conflict "in any format that is convenient for the President".

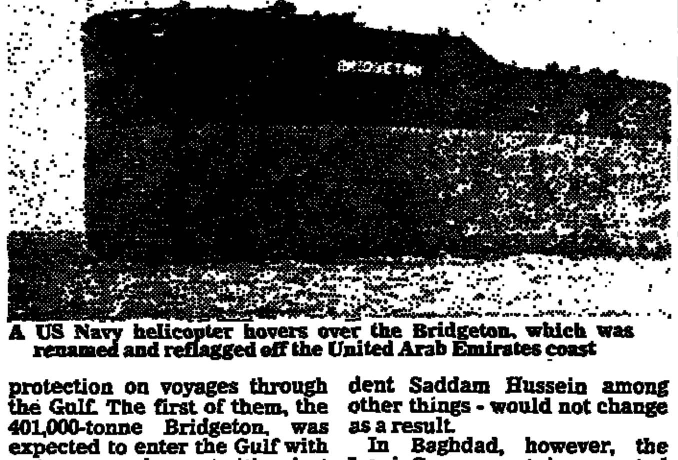
But Mr Marlin Fitzwater, the White House spokesman, said the Reagan Administration believed the Security Council was the proper forum for dealing with the Gulf conflict.

The US statement seemed to dispel hopes that the superpowers might step up their co-operation with a view to easing tensions in the Gulf, which Moscow believes have been heightened by an increased US naval presence there. Mr Gorbachev's letter said he believed there were good prospects for superpower co-operation in the region.

Although the US and the Soviet Union both strongly backed the UN resolution, they are at odds over Soviet calls for a withdrawal of foreign warships from the region.

As expected, Iran yesterday rejected the Security Council resolution, its first mandatory ceasefire call in the seven-year war, while Iraq said it viewed the motion as a positive development. Though neither party has formally delivered its response to the UN, their initial reactions suggested that the US was likely to press ahead in the next few weeks with efforts to frame a further Security Council resolution. This is expected to call for an arms embargo on Iran, as the country which has refused to negotiate a settlement to the war.

At the same time, the American flag was hoisted on the first two of 11 Kuwaiti oil tankers which are due to receive US protection on voyages through the Gulf. The first of them, the 401,000-tonne Bridgeton, was expected to enter the Gulf with a strong naval escort either last night or today. The protection plan has raised fears that the US might become embroiled in a direct confrontation with Iran, which has singled out ships trading with Kuwait for attack in the last year.



A US Navy helicopter hovers over the Bridgeton, which was renamed and reflagged off the United Arab Emirates coast

In Washington, Mr Caspar Weinberger, the Defence Secretary, reiterated that the US was ready to respond to any Iranian attack on the tankers. "We believe we have the capabilities to do that - both in the air and on the sea - and we will will certainly exercise those capabilities to protect the shipping," he said.

In Tehran, the Iranian Foreign Ministry said the Security Council's resolution was "unjust" and that the increased presence of American warships in the region rendered it "null and void". It added that Iranian policy on the war - which calls for the ousting of Iraqi President Saddam Hussein among other things - would not change as a result.

In Baghdad, however, the Iraqi Government is expected today to accept the resolution and to agree to halt military action on condition that Iran does the same. Iraq is thought likely to halt its attacks on shipping for the time being, and this may prompt a lull in the tanker war which has hit more than 300 vessels in the Gulf in the last few years. Iran has repeatedly pledged to refrain from attacking ships if Iraq does likewise.

Security Council members now intend to give the two belligerents time to digest the ruling. Sir Geoffrey Howe, the British Foreign Secretary, who was among several ministers at the UN on Monday, told the House of Commons yesterday that the resolution was "carefully balanced" and that it was "a determined attempt to tackle the un-

Long haul, Page 2; Gulf gauntlet, Page 3; Editorial comment, Page 16

Continued on Page 18

BP will raise £1.5bn and reorganise US operations

BY MAX WILKINSON IN CLEVELAND AND LUCY KELLAWAY AND PHILIP STEPHENS IN LONDON

BRITISH PETROLEUM yesterday announced that it is to raise £1.5bn ($2.4bn) through an offering of new shares linked to the UK Government's sale of its 31.7 per cent holding this autumn.

At the same time, BP gave details of a major reorganisation of its North American operations intended to complete the integration with its former subsidiary, Standard Oil of Ohio.

The share issue is designed to reduce BP's debt, which rose to nearly 45 per cent of equity as a result of its $7.9bn cash purchase of the 45 per cent of Standard's shares which BP did not already own. By reducing borrowings to about one third of equity, the issue will give BP increased flexibility in making future acquisitions.

Mr Norman Lamont, Financial Secretary to the Treasury, yesterday confirmed that the sale of the new shares would take place in the autumn at the same time as the sale of the Government's remaining stake. He said that the Government would buy the new BP shares on a fully paid basis, and then sell the entire issue in one piece with payment due in instalments. Existing BP shareholders will be given preference in the allocation of the £1.5bn of new shares.

The combined issue, likely to raise more than £8bn, will be the largest issue of shares ever attempted in the London market. Despite its size, analysts predicted yesterday that the sale could be conducted without causing indigestion in the market. BP shares closed just 7p lower at 395p yesterday.

Mr Rodney Chase, BP's group treasurer, said yesterday: "We want to put BP in the strongest possible position to carry on pursuing our strategy of expansion, without concern about excess indebtedness".

In the spring, when BP was laying plans to buy the remainder of Standard, a substantial increase in the enlarged company's share capital was seen as part of the financing plan. BP was anxious to target the new shares at international inves-

Continued on Page 18

EC ministers agree tighter car exhaust pollution standards

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN COMMUNITY Environment Ministers yesterday took a major step towards ending two years of uncertainty for European car makers when they resolved a long-standing deadlock over exhaust pollution.

An urgent meeting called by Denmark, the new President of the Council of Ministers, agreed on a scheme that will allow - but not force - member states to reduce car exhaust levels in stages between 1988 and 1993.

The scheme sets tighter pollution standards for cars with engine capacities of two litres or more, to come into effect on October 1988 at the earliest for new models, or October 1989 for new cars in existing model ranges. The corresponding dates for cars between 1.4 litres and 2 litres are October 1991 and 1993, with cars below that size to come into line between 1990 and 1991.

Ironically, Denmark, supported by Greece, has staunchly resisted the proposal claiming that it was not tough enough. But Copenhagen brought it forward yesterday to make use of new rules in the recently introduced Single European Act that would allow it to be outvoted in a majority poll and apply later to impose tougher national standards on its own. This is the first time the Act, which introduces more majority voting in a number of fields, has been used to unblock a major EC proposal.

The scheme will now be passed to the European Parliament for a response within three months. If the Parliament approves the proposal or asks for modifications in line with its earlier votes in favour of tougher US-style exhaust standards than laid down in yesterday's package, the Council can take its final decision by majority vote. But, if the Parliament rejects the package, the Council will need unanimity - which is very unlikely to be forthcoming - if the scheme is to be kept intact.

Flat tops sales, Page 2

Texas Air dismisses Continental chief executive

By James Buchan in New York

TEXAS AIR, the largest group of US airlines, yesterday fired the chief executive of its Continental Airlines subsidiary in a tacit admission of the management problems created by its rapid growth through acquisitions.

In a terse statement yesterday, Texas said that Mr Thomas Plaskett, chief executive of Continental since November, had resigned. He is replaced by Mr Frank Lorenzo, the group's tough chairman who has created the free world's largest airline through a series of ambitious and rapid-fire acquisitions.

Yesterday's announcement confirms widespread rumours about the difficulties Continental is facing in merging its routes and management structure with those of New York Air and its recently acquired low-fare carriers People Express and Frontier Airlines.

It is also likely to add fuel to the debate in the UK over the proposed merger of British Airways and British Caledonian into a megacarrier of the kind created through the wave of US mergers since deregulation in 1978.

On Monday, Continental, which is one of two major subsidiaries of Texas alongside Eastern Air Lines, reported a loss of $71.1m on sales of $748.6m, a performance Mr Lorenzo described as 'disappointing.'

Texas Air would give no reasons for the management shake-up. However, one well-placed airline official said that difficulties at Continental were proving more intractable than at the time of the $125m People Express deal last September.

'The Texas Air board decided the strong hand of leadership was needed,' he said.

The dismissal of Mr Plaskett, who was lured from a senior position at American Airlines to run the drastically enlarged Continental last November, took Wall Street by surprise yesterday.

But analysts had warned that schedule disruptions and lost luggage were driving passengers away, leaving Continental with a load factor of 63.3 per cent in the June quarter, which is below the industry average.

'When you have airlines with poor service reputations or declining service, there are bound to be disruptions in a merger,' said Mr Anthony Hatch, an airline analyst at Argus Research.

With different wage scales between unionised and non-union employees, morale is low at Texas Air, analysts say.

Volcker sees no need to switch policy

BY STEWART FLEMING AND ANATOLE KALETSKY IN WASHINGTON

MR PAUL VOLCKER, in his last major policy statement to the US Congress, expressed general satisfaction with the immediate prospects for the country's economy and the level of the dollar and indicated that there was no case for changes in monetary policy.

As Mr Volcker delivered his assessment of the US economy and monetary policy, Mr Alan Greenspan, nominated to succeed him as chairman of the Federal Reserve, presented himself as a pragmatic analyst of the American economy and pledged to "follow in the footsteps" of his predecessor as a determined inflation fighter.

Alan Greenspan: pledged to follow in the footsteps of his predecessor

"The central focus must be on restraining inflation", Mr Greenspan, dour and professorial in demeanour, told the Senate banking committee in his confirmation hearings. "If that fails we have very little possibility of sustaining long-term growth."

But Mr Greenspan, whose first appearance on Capitol Hill since his nomination was carefully timed to coincide with Mr Volcker's last, displayed a confidence in the magic of the markets to resolve America's economic problems which his more sceptical predecessor might not share.

Asked what yardstick he would use to measure when the Third World debt crisis had been conquered, Mr Greenspan responded that the day the debtor nations are back in the international financial market and able, for example, to float five-year Eurodollar notes "is the day the problem is essentially solved."

On the current outlook for the debt crisis Mr Greenspan suggested that although "still fragile" the situation "has improved quite dramatically" since 1982 because commercial banks have increased their capital and reserves and there is "a growing international awareness market solutions are the way to get out of economic difficulties."

On several substantive policy issues, however, Mr Greenspan left no doubt that his views are close to those of the Reagan Administration. Questioned about the need for a tax increase to reduce the federal budget deficit, he said that he did not believe that this was the best way to go. Pent-up pressures to increase government spending would tend to erode the short-term benefits of a tax increase. Expenditure reductions were therefore the best alternative.

Mr Volcker, who was presenting the House banking committee with its mid-year assessment of the economy, said on the separate issue of international bank regulation, that he had hopes of an agreement between the US, the European Community and Japan by the end of this year on "a consistent set of standards for bank capital adequacy".

Mr Volcker added that the Fed's present view of US economic prospects was "in some areas strongly encouraging." He pointed particularly to "pretty clear" signs of an improving real trade balance, to a slowing in domestic consumption, to increasing activity in the manufacturing sector, to a reduction in the 1987 budget deficit, and to successful international co-operation on exchange rate stability and the debt problem.

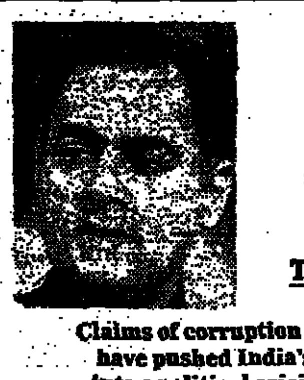
He said that the Fed's monetary growth targets would remain unchanged until the end of this year from the current range of 5½ to 8½ per cent. These targets would continue to be interpreted loosely, depending on "prevailing economic and market circumstances." Subject to this provision monetary growth "around the lower ends" of these ranges would remain appropriate, he said.

In 1988, the target growth bands for the broad definitions of money - M2 and M3 - had tentatively been agreed as 5 to 8 per cent, half a percentage point below the 1987 target.

In an answer to a question about the possibility of a discount rate reduction in the near future, Mr Volcker said the current "stronger dollar" might be consistent with an easier monetary policy, but indicated that the Fed would look for other factors

Progress clouded, Page 4

CONTENTS



GANDHI HEADS INTO THE EYE OF THE STORM

Claims of corruption and bribery have pushed India's premier into a political crisis. Page 18

French Government cuts next year's industry budget by 9%

BY PAUL BETTS IN PARIS

THE FRENCH Government has decided to cut the Industry Ministry budget by 9 per cent to FFr 25.7bn (£2.6bn) next year from FFr 28.7bn this year.

The industry budget has already been reduced this year from FFr 30.4bn last year as part of the broad policy to reduce the overall government deficit, as well as to gradually replace traditional state subsidies for industrial sectors or troubled large industrial groups with more open market mechanisms.

Mr Alain Madelin, the Industry Minister who has waged a crusade against France's former *dirigiste* and interventionist industrial policies over the past two years, said yesterday that state support would be concentrated on growth sectors and small and medium-sized industries.

Despite the overall cut in the industry budget, support for the space sector will increase by 7.5 per cent to FFr 5.39bn. Industrial policy expenditures for small and medium sized industries will also increase by 20.8 per cent to FFr 540m next year. Expenditure for the reconversion of sites and workers in troubled heavy industry and mining areas will increase by 29.5 per cent to FFr 738m.

The big victim of next year's industry budget is shipbuilding with a 45.7 per cent fall in grants to FFr 1.95bn compared with FFr 3.59bn this year. However, the Government will continue to support the coal board, Charbonnage de France, next year with a similar level of grants totalling nearly FFr 7bn.

The 1988 budgetary targets released yesterday do not include the capital endowment grants to state industrial groups. However, these are expected to be sharply lower in view of the government decision to halt capital grants to electronic groups like Thomson and Bull which are now back in the black and due for privatisation. The Government will, none the less, make credits totalling FFr 2bn available next year for the information processing and electronic sector.

Mr Madelin is keen to see all state industries, with the exception of coal, operating in the black by the end of next year. This includes the steel industry. Although subsidies to cover the industry's operating deficit are now *forbidden* under EEC rules, Mr Madelin suggested that support could still be given for restructuring.

The industry budget expenditures, excluding capital grants to state sector industrial groups, will account for 2.4 per cent of the overall government budget

Ministry officials said the budget cuts would mainly affect large enterprises which are expected to see direct ministerial support decline by FFr 3.1bn next year. However, support for small and medium-sized industries will increase by FFr 500m. Between this year's and next year's budgets, Industry Ministry expenditures for large enterprises will have been reduced over a two-year period by FFr 5.6bn, while those for small and medium-sized sectors will have increased by FFr 900m.

However, to offset the reduction in subsidies French enterprises will benefit next year from a series of tax cuts including reductions in corporate profit taxes and in industrial gas and heavy fuels taxes. These cuts are expected to reduce industry's fiscal burden by about FFr 5.8bn. Benefits are also seen *in* proposed *changes in the* consolidation of group results.

In contrast to the industry budget, the Government has decided to increase next year's education budget by 4.2 per cent to FFr 175.2bn. This increase reflects the decision to make education one of the country's national priorities, according to Mr Rene Monory, the Education Minister, who was caught in the middle of last year's student demonstrations which badly shook the Chirac government.

Commission opens budget campaign

BY TIM DICKSON IN BRUSSELS

KEY PROPOSALS aimed at controlling the European Community's spending — including new ideas for reining back farm expenditure — were approved by the European Commission in Brussels yesterday.

The measures are mostly fairly technical, but cumulatively they represent an important start to the crucial political process of enforcing budget discipline and improving day-to-day management of EC resources. One of their most significant effects is likely to be on civil servants in member states, who represent about 80 per cent of those responsible for administering Community legislation, and on the Brussels executive.

The new emphasis on budget discipline is a direct consequence not only of the EC's persistent tendency to overspend, but of the European Community plans to change the basis of national contributions *and thereby to increase* the EC's own resources base. Heads of state made clear at last month's summit that better controls are an essential precondition for providing the extra cash.

The *measures* approved by a full meeting of the Commission yesterday — but which have to be agreed unanimously by member states — include ending the present system whereby some credits under the social and regional funds (so-called "dissociated credit") are automatically carried over from one year to the next. In future, this would only be done as and when the Commission sees fit. In the same way, projects for which money is allocated in a particular year and subsequently used would not automatically qualify for support in future years.

Possibly more significant are new rules which are being proposed in Brussels for reimbursing member states out of the Community budget for the money national governments have paid out to farmers under the Common Agricultural Policy. At the moment, this is remitted from Brussels in advance, but under the new plan will only be sent in arrears and, crucially, only when documentation is provided by member states showing the purposes to which the funds have been put on a product-to-product basis.

"This is an important new budget tool," one senior Commission official said last night. "It will allow us to identify the problem agricultural products at a much earlier stage."

Yesterday's decisions set the scene for further discussions which will be held by the Commission in the next few days on more precise ways to control agricultural spending through so-called "stabiliser" mechanisms.

Kampelman decries arms talks halt

SOVIET EFFORTS to reach arms agreements have come to a halt even though differences with the US have narrowed and can be solved, the US chief arms negotiator has written in a newspaper article, Reuter reports.

Mr Max Kampelman, head of the US delegation to the Geneva arms talks, writes in a New York Times article published yesterday, that there are new obstacles to agreement on intermediate-*range nuclear forces (INF)* but not ones erected by the US, as charged by the chief Soviet negotiator, Mr Yuli Vorontsov.

Until recent weeks, both sides had agreed on basic language to reduce their arsenals to 100 warheads each on longer-range INF missiles worldwide, with none in Europe, and efforts to build on that common ground had been productive, he says.

"Since then, the Soviet effort in Geneva has come to a virtual halt. This is true not only in terms of INF but also in the negotiations of strategic arms (Start)."

Mr Max Kampelman: Agreement still possible at Geneva negotiations.

The US proposed a strategic arms treaty nine weeks ago but has seen no Soviet counter-offer despite Mr Mikhail Gorbachev's agreement with President Ronald Reagan in Geneva and Reykjavik that 50 per cent reductions in such weapons should take place, says Mr Kampelman.

He criticises what he calls eleventh-hour Soviet demands to include West German Pershing 1A missiles, with nuclear warheads under US control, in an INF accord.

The Soviet Union's refusal to accept global elimination of all INF missiles, he claims, complicates the issue of conversion—physically changing a missile limited by treaty to another type—and the US proposal to convert longer-range Pershing 2s to shorter-range Pershing 1Bs.

According to *Mr* Kampelman the Soviet Union objects to US placement of 100 remaining INF missiles in Alaska, where they could reach Soviet territory, but could deploy mobile Soviet SS-20 missiles anywhere in Soviet Asia and constitute a threat to US allies in Asia and Europe.

Hard currency trade deficit for Hungary

BY LESLIE COLITT IN BUDAPEST

ECONOMICALLY hard-pressed Hungary accumulated a record hard currency trade deficit of $412m in the first six months of the year but managed a somewhat lower current account deficit.

Mr Andras Pattko, Deputy Finance Minister, said in an interview yesterday that he believed the economy had "bottomed out" and would improve.

The trade shortfall was $40m higher than in the same period last year, while the balance of payments deficit fell by $50m to $800m.

Mr Istvan Racz of the national bank said Hungary's terms of trade worsened by 4 per cent in the *first* half mainly as a result of a "carryover effect" from the decline of the dollar.

Hungary's negative balance of payments improved slightly, he said, because net foreign debt repayments were somewhat lower. In addition, revenues in hard currency from tourism rose sharply. He said a "significant improvement" in the payments balance took place in the last three months of the period.

Mr Racz explained that sweeping price rises announced last weekend would add nearly 1 per cent to the consumer price index this year which is expected to be 9.5 per cent higher than last year.

The price increases, averaging 20 per cent for household fuels, 18 per cent *for* electricity, 19 per cent for flour and bakery goods and 20 per cent for tobacco, are designed to reduce price subsidies and to lower the budget deficit.

There was considerable public grumbling about the increase the second in a year—but no signs of overt protest. Such increases are an established practice in Hungary and the goal is to eliminate most consumer price supports under a new price reform to be outlined next month

Cavaco Silva's victory hailed by businessmen

BY DIANA SMITH IN LISBON

FINAL RESULTS in Portugal's historic general election — barring those for four seats reserved for deputies elected by the large emigrant community — show that the winners, the Social Democrats (PSD) of Professor Anibal Cavaco Silva, won just under 2.9m votes or 50.15 per cent of the vote, giving them 146 seats in Parliament.

In 1985 the PSD took 29.87 per cent of the vote forming a minority government with 88 seats.

Initial reaction to the PSD's sweeping victory was very positive among businessmen in Lisbon. They seemed pleased that what one of them described as a "down-to-earth, nononsense man, not one of those romantic politicians we have had for most of this century" had won enough votes to stay in power and make practical changes for the next four years.

The runner-up Socialists who have moved unequivocally into the leadership of the moderate left, took just over 1.5m votes or 22.32 per cent, giving them 59 seats. They improved on their 1985 performance of 20.77 per cent when they were badly hurt by the sudden rise of a maverick new party, the Democratic Renewal PRD of ex-President Ramalho Eanes.

Frustrated by not making the impact they expected, the PRD promoted a sudden censure motion last April which toppled the minority PSD government. It hoped to reap rewards for the gesture and overtake the Socialists.

Instead the electorate punished the party so severely that it is likely that Gen Eanes, who developed acute appendicitis on election night, will retire from active politics. From 17.97 per cent and 45 seats in 1985, the PRD plummeted to 4.93 per cent and a meagre seven seats in last Sunday's election.

The other parties to win seats in Parliament — the Communists and the Christian Democrats — also lost votes. The Communist vote, nearly 20 *per cent in 1979, dropped* from 15.5 per cent and 39 seats in 1985 to 12.18 per cent and 30 seats this time.

Christian Democrat votes slid from 9.96 per cent and 22 seats, to 4.34 per cent and four seats this time.

Najib dims peace hopes

THE AFGHAN leader, Dr Najib, said yesterday that withdrawal of Soviet troops from his country could only begin when all "outside aggression" had halted and there were firm guarantees it would not resume, Reuter reports from Moscow.

His remarks at a Moscow news conference were seen as indicating that he would continue to insist that Moslem guerrillas fighting his administration lay down their arms before there could be a political settlement to the Afghan problem.

Dr Najib was speaking after a meeting yesterday with Mr Mikhail Gorbachev at which, according to an official Soviet report, they agreed that Kabul's policy of national reconciliation should be pursued.

The Kabul Government has consistently argued that the Moslem guerrillas are simply bandits who could not survive if they were not supported by the West in waging an "undeclared war" on Afghanistan. But there had been indications recently that Moscow and Kabul might be moving towards accepting a timetable allowing for a phased Soviet withdrawal linked to a reduction in rebel activities.

Iran and France prepare for long haul

By George Graham in Paris

FRANCE AND Iran have settled in for a long set of negotiations over the return home of their respective diplomats.

Iranian officials have been allowed to leave their embassy in Paris to close bank accounts and arrange for airline tickets. But there is no immediate sign of a breakthrough in the dispute which has both countries blockading each other's embassies.

Senior French officials, who had earlier wanted to conclude negotiations within five or six days from the breaking of diplomatic relations on Friday, now say they see no immediate solution and are prepared to wait months.

The sticking point remains the position of Mr Wahid Gordji, the Iranian interpreter whose refusal to appear for questioning by a French judge sparked off the crisis.

France refuses to let Mr Gordji, who does not have diplomatic status, leave the country without answering questions on his links with last September's terrorist bombings in Paris. Iran, meanwhile, has created a bargaining counter by accusing Mr Paul Torri, the French First Secretary in Tehran, of crimes ranging from spying to drug smuggling.

At the Elysee, a solution which allowed both sides' diplomats to fly home while leaving Mr Gordji and Mr Torri in their respective embassies is regarded as envisageable but not desirable. Several courses of action have been considered, including increasing military aid to Iran's *enemy, Iraq.*

French officials insist that there is complete unity between the Socialist President Francois Mitterrand and the right-wing administration of Mr Jacques Chirac, even if the two sides of the Government were not in complete accord before the crisis on the correct policy to adopt towards Iran.

France has welcomed the support of its European Community partners over the crisis, but there has been some surprise at the coolness of West *Germany's response. Mr Hans* Dietrich Genscher, Bonn's Foreign Minister, is to receive his Iranian opposite number, Mr Ali Akbar Velayati, on *Thursday and Friday.*

The immediate reaction of the West German Foreign Ministry was to regret the breaking of diplomatic relations between France and Iran. Jordan, which has backed the French decision, is understood to have been so surprised at Bonn's lukewarm response that it summoned the West German *ambassador to ask for* an explanation.

West Germany has, however, undertaken the provisioning of the French embassy in Tehran, and the West German ambassador there accompanied his Danish and Belgian colleagues to the Iranian Foreign Ministry to demand that Iran respect the Vienna Convention *guaranteeing* the safety of diplomats.

Aer Lingus growth inhibited

By Hugh Carnegy in Dublin

THE RIGHT to carry passengers between other European countries was "absolutely critical" to the future of Aer Lingus, the state-owned Irish airline, the *company's* chief executive said yesterday.

Limited rights to pick up passengers outside their home country and carry them on to other foreign destinations was ceded to Irish and Portuguese airlines in an EC deregulation package last month but the measure collapsed because of a dispute between Britain and *Spain over Gibraltar.*

Mr David Kennedy, chief executive of Aer Lingus, said the lack of these so-called Fifth Freedom rights which the airline enjoyed before Ireland joined the EC in 1973, inhibited its growth at a time of declining profit margins on the North Atlantic and on its critical London-Dublin route where competition has increased sharply.

"Fifth Freedom rights are absolutely critical. Otherwise we are hamstrung," he said.

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Aer Lingus was actively pursuing co-operative marketing agreements and joint ventures with other airlines to counter pressure from larger competitors. Mr Kennedy said Aer Lingus regarded the proposed merger between British Airways and British Caledonian as a threatening consolidation of *power in an already large* carrier.

Underlining Aer Lingus's concerns were its annual results published yesterday. Although pre-tax profits rose 9 per cent to I£19.9m in the year to March 31 1987, profits from its core airline business were halved to I£2m. Profit growth was due to improved performance by non-airline activities such as hotels and a tough cost-cutting programme.

IMF team warns Turkey on outlook for inflation rate

BY DAVID BARCHARD IN ANKARA

AN International Monetary Fund team which left Turkey last week after a routine visit to review the progress of the economy has issued a muted but unmistakeable warning to the Government to adjust its economic policies at a time when these seem increasingly dominated by the prospects of an early general election.

The Fund says that the rise in Turkey's inflation rate this year is "most discouraging" and that it takes a "pessimistic view" of prospects for the *second half.*

The Government should give considerably greater weight to anti-inflationary policies, it says. It also warns that the improvement in Turkey's external payments during the first half year, *is likely to deteriorate over the* next 12 months as stocks run down and import demand grows.

The statement is believed to be the least cheerful view the Fund has taken of the Turkish economy since 1983.

Its main concern seems to be about the Government's willingness to take steps needed to bring down inflation, but it also warns that the relatively easy balance of payments situation in the first half of this year could turn out to be only a temporary respite.

The *Fund delegation* warns in its statement that public sector spending must come down and that the Government must try to bring the growth of the M2 money supply measure below 30 per cent. However, *it implies that year-end* inflation rate of even 30 per cent is unlikely to be achieved.

Real interest rates have been cut too much over the past year, it says. Fixed deposit rates should be raised, and interest rates as a whole kept high. The mission also expresses concern about the recent issue of public sector bonds indexed to foreign currencies, and a drift towards currency substitution.

It sees an encouraging shift in foreign borrowing from short-term to medium-and long term *borrowing* but is still uneasy about the role of foreign exchange deposits by Turkish nationals in financing the current account deficit and says they should be offered long term investment opportunities.

Fiat tops European car sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE FIAT group of Italy, which now includes Alfa Romeo as well as Lancia, Autobiachi and Ferrari, displaced Volkswagen of West Germany at the top of the West European car sales league in the first *half of this* year.

It did so at a time when total sales are still rising strongly in spite of reaching record levels last year. According to preliminary industry estimates, sales in Western Europe in the first half increased by 5.2 per cent to 6.49m.

Fiat, which bought Alfa on January 1 from the Italian state holding company, has benefited from the strength of demand in its domestic market where it is protected from the Japanese *and accounts for about 60 per* cent of new car registrations.

The West German market got away to a much slower start because as many as 50,000 extra cars were registered last December to take advantage of tax benefits on "clean" cars (those with pollution control equipment) which were reduced on January 1.

It is now clear there will be a neck-and-neck finish this year between Fiat and the Volkswagen group, which takes in Seat of Spain as well as the Audi up-market subsidiary in Germany, for the European car sales championship which VW has held since 1985.

WEST EUROPEAN CAR SALES
First half year

	1986	1987
Total market	6.17m	6.49m
	Market shares %	
Fiat-Lancia-Alfa Romeo	14.7	15.0
VW-Audia-Seat	14.6	14.8
Ford	11.6	11.8
Peugeot-Citroen-Talbot	11.2	11.6
General Motors (Opel/Vauxhall)	11.4	10.9
Renault	10.0	10.4
Diamler-Benz (Mercedes)	3.6	3.5
Rover	3.5	3.3
Nissan	2.9	2.8
Toyota	2.9	2.7
BMW	2.6	2.4
Volvo	2.3	2.2
Total Japanese	11.7	11.1

Industry estimates.

One important factor during the rest of 1987 will be the tactics of the Japanese. They were very short of stock at the beginning of this year and, although by the half-way stage *their sales were only slightly* down, their market share slipped from 11.7 to 11.1 per cent.

The Japanese Ministry of nternational Trade and Industry warned the car producers in the summer of 1986 that they were risking a further upsurge of protectionism if they did not stop their rapid push into Europe. The increased Japanese *penetration* was particularly noticeable in West Germany and the Japanese share of that market so far this year has remained at an historically high level—14.5 per cent, up from 14.4 per cent in the first half of 1986.

Among the other members of the European "big six," the Peugeot-Citroen-Talbot group *of France overtook General* Motors, which owns Opel in West Germany and Vauxhall in the UK, during the first half of this year. This reflected the strong performance of models such as the Peugeot 205 supermini and the new small Citroen AX. Mr Jacques Calvet, Peugeot's chairman, says his group aims to take top place in the European league.

In contrast, GM is dong well in West Germany with the executive model, the Opel Omega, but in the UK the company's sales are suffering severely because it is well known that the Vauxhall Cavalier (sold elsewhere in Europe as the Opel Ascona) is due for replacement next year.

Spain blocks new Gibraltar air services

By Joe Garcia in Gibraltar

SPAIN HAS prevented the Gibraltar airline GB Airways from starting services from *West Germany and Switzerland* which had been planned to begin next April. The action follows close on the heels of Madrid's veto of airline reforms in the European Community because the Rock's airport was included in the proposals.

The Gibraltar airline, in which British Airways has a 49 per cent stake, says that this *underlines that* freedom of air communications is not occurring despite the Anglo-Spanish agreement of 1984 when Spain re-opened the Gibraltar border.

Spain is believed to have put pressure on West Germany and Switzerland to frustrate the plans by GB Airways, although Britain's Civil Aviation Authority had given the green light. *The airline flies to* London Gatwick and Morocco.

Since the opening of the Spanish frontier, air traffic to Gibraltar has been increased, with the Rock becoming another gateway to Spain's popular Costa del Sol.

Yugoslav strikes

More strikes have erupted in Yugoslavia as a new bankruptcy law threatened to leave thousands of workers without jobs at a time of 100 per cent inflation and crumbling living standards, Reuter reports from Belgrade.

Franco-German force attacked in Soviet paper

A SOVIET newspaper charged yesterday that a proposed joint Franco-German fighting unit could complicate the military situation in Europe and showed Paris was being *drawn* closer to Nato, Reuter reports from Moscow.

Sovetskaya Kultura said that Mr Andre Giraud French Defence Minister had said the brigade must be outside the integrated command of Nato, which Paris left in 1966.

"But such assurances do not ease doubts that such a step *could fully* open the door for the actual drawing of French military forces into subordination to the command of the Nato bloc.

"*Unfortunately, it has to be* said that the form the military co-operation between France and West Germany *takes* could complicate the military and political situation, with negative effects for a peaceful future

The joint unit was proposed by West Germany's Chancellor Helmut Kohl on June 19 in a move aimed at boosting Western Europe's contribution to the US-commanded Nato alliance.

France's President François Mitterrand has welcomed the idea, but says it poses major problems.

Leslie Colitt reports on the direct links which reluctant East bloc concerns are having to forge

Comecon forces its companies to the altar

COMECON, the lumbering Soviet-led economic bloc, is to throw off its bureaucratic chains and replace them with direct commercial links between companies and institutions.

Taking the cue from Mr Mikhail Gorbachev, links are being forged at a dizzying rate between producers and research institutes in the Soviet Union *and Eastern Europe. All too* often, though, they are established under government auspices and with the prodding of the very authorities they are designed to avoid.

The dilemma is that although much of Comecon's inertia is blamed on the dead hand of ministerial control, state-owned companies on their own have no incentive to establish direct ties with their Comecon counterparts.

On paper, at least, companies in the seven European Comecon countries are now able to sign agreements with each other for joint production or an exchange *of products. They can also re*tain the profits from such ventures.

"In practice, though, the difference between words and deeds is greater than ever," according to Mr Heinrich Machowski, Comecon specialist at the German Institute of Economic Research (DIW) in Berlin.

In the absence of market economies there is nothing to propel companies inside Comecon into co-operating across national borders as in the West. Prices do not reflect real costs, and artificial exchange rates between Comecon currencies and the absence of a convertible currency mean it is virtually impossible for companies to determine whether direct ties are profitable.

This, however, has not prevented more than 120 contracts for joint enterprises being signed between Soviet and Czechoslovak partners — of which four have actually been *established. But, instead of the* companies being drawn to each other by the promise of economic benefits, the often reluctant partners have been married in shotgun weddings by government ministries with quotas to be filled.

More than 50 Czechoslovak companies and organisations were reported in the Soviet *media to be co-operating* directly with their counterparts in the Soviet Union. The links, however, were established under the aegis of the Czechoslovak Ministry of General Engineering. One of the projects is for the two nations' car industries to set up a joint design and technical bureau which is to "develop new car models for the year 2000."

The noted Soviet authority on Comecon, Mr Oleg Bogomolov, admitted in a recent interview that grinding out such artificial projects was not going to solve Comecon's problems.

Hungary estimates that by 1990 there will be at least 50 Soviet-Hungarian joint ventures, including one producing large integrated circuits. One set up recently in Soviet Lithuania to produce packaging materials is to use the transferable rouble —a bookkeeping device and not a convertible currency—to keep accounts. The Hungarian end of the joint venture is to receive *its profits* in currency or goods.

Payment in goods, in fact, has been longstanding practice with Comecon's oldest joint venture, founded in 1957, between the Hungarian concern Holdex and the Polish coal-mining industry. In order to avoid converting non-convertible currencies using complicated currency coefficients, the Hungarians *accept* part of their company dividend in the form of coal.

Although reluctant to enter into direct contacts with Soviet companies and institutions, East Germany was coaxed earlier this year into signing 97 co-operation agreements.

Mr Machowski *suggests* that, as the most advanced Comecon country technologically, East Germany stands to lose the most if what it regards as an experiment should fail. "If this happens it will also have to pay for the Soviet Union's problems," he notes.

An announcement last December that an East German *company in Wittenberge* was chosen to co-operate with a Soviet concern in Podolsk to develop an electronic sewing machine of the "highest world standard" did little to assuage East German doubts.

The venture was reminiscent of an agreement in the early 1970s between Moscow and East Berlin to develop a programmable washing machine for production in the two countries. The result, *after* years of travail and countless visits by delegations, was a modest product which at best represented some progress for the Soviet Union.

Since last November Soviet and East European experts have been working on a financial, currency and price reform for Comecon which is to be presented this year or next. East Germany, in particular, is concerned that it will lead to a loss of government control over the economy and thus chaos—instead of the previous rigidity —*in Comecon* trade. East German economics officials have nightmares of more independent Soviet producers failing to fulfil contractual obligations to Eastern Europe

Like it or not, Mr Machowski says, East Germany will have to adapt to Mr Gorbachev's plans for Comecon reform if *only because of the sheer* weight of the Soviet Union within the bloc. The resulting imbalance is likened by East European economists to the situation which would result if the US were a member of the European Community.

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OVERSEAS NEWS

Kuwaiti tankers prepare to run Gulf gauntlet

BY ANDREW WHITLEY IN KUWAIT

TWO reflagged Kuwaiti tankers guarded by a powerful US Navy force were preparing yesterday to sail into the Gulf through the narrow Strait of Hormuz after nightfall.

The Stars and Stripes had been hoisted by yesterday morning on the two vessels, the 401,000-tonne Bridgeton, and the 47,000-tonne Gas Prince, anchored off Khawr Fakkan in the Gulf of Oman. Then four US warships moved into position alongside, ready for the convoy's dangerous 550-mile run up to Kuwait—a journey expected to take two and a half days.

As the long-awaited escort operation finally got under way, Iran deliberately raised the stakes by stepping up checks on shipping entering the Gulf.

Over the past 48 hours, shipping sources said Iran's British-built frigates, operating out of the main naval base of Bandar Abbas, had been challenging an increasing number of ships passing through the Straits of Hormuz, demanding to know their cargo and destination.

"What's been happening is that two hours after the verbal check by radio, if they say they're going to Kuwait there's been an attack," said one source familiar with te traffic.

The last incident was on July 13, when the French-owned container ship, the Ville d'Anvers, en route from Bahrain to Kuwait, was hit by Iranian Revolutionary Guardsmen in a high speed launch.

Tehran radio yesterday also announced the seizure by a Revolutionary Guards naval patrol of three small Kuwaiti boats, believed to be fishing dhows, which they said had been spying. There was no confirmation of the claim from the Kuwaiti authorities.

The belligerent stance the Iranians are adopting notwithstanding, the consensus of opinion in the Gulf yesterday was that the Revolutionary Guards are unlikely to tangle with the first, or even the second, US convoys—the latter scheduled to begin on August 6. "They will wait until the spotlight is on and their (the Americans) guard has been relaxed, and then try something," commented an Asian diplomat.

Australian coal miners postpone strike

By Chris Sherwell in Sydney

AUSTRALIAN coal miners yesterday postponed a planned national strike while talks are held between unions, employers and the government.

The strike was planned as a protest at redundancies, mine closures and altered working conditions sought by mining companies in order to reduce costs in the face of a weak coal market.

Australia, the world's largest coal exporter, earned more than A$5bn from foreign sales in the last financial year. A national strike might jeopardise its markets.

In New South Wales, where costly underground mines face the biggest threat, workers at 11 collieries yesterday stayed on strike in protest over redundancies.

Meanwhile pit owners unveiled their own ideas for rationalisation of the industry proposing a 20 per cent reduction in mine-site costs and 20 per cent lower state government charges in order to limit retrenchments.

They also suggested setting up a tripartite body of employers, unions and government.

Colina MacDougall reports on the reaction of Chinese authorities to student unrest

University students pulled back into line

TO THE alarm of the authorities, China's students have begun to adopt some of the habits of their contemporaries worldwide.

It is not just that in a dozen or more cities many demonstrated last winter against the controls of China's autocratic system – a movement which brought dismissal to party general secretary Mr Hu Yaobang and gave an unprecedented boost to the conservatives in the leadership.

Nor is it that others protested some months later against a factory on the Peking campus.

The consternation is centred on an outbreak of traditional student activities such as playing poker all day, "dancing cheek-to-cheek" all night, drinking, fighting and generally making merry.

These have so appalled worthy science and philosophy students at Shanghai's Fudan University that they wrote to the college president, labelling this "unsound style of study" as "intolerable."

University officials are worried. In Peking, one party secretary was in a state of shock at the extravagant lifestyle of spendthrift students, buying liquor and cigarettes, giving parties in restaurants and taking out girls who were frittering away their parents' or scholarship money on trendy clothes.

Not surprisingly, these same students regarded the party's puritan message of "arduous struggle, hard work and thrift" as "something to be ashamed of."

In Tianjin, rowdy behaviour rather than high life was the problem, with booing and hooting at meetings, scribbling on walls, fighting and theft. At Hebei Teachers' College it was sloppy work – students ignored school discipline, cheated in tests and skipped exams when they felt like it.

The gush of reports of such malpractices in recent weeks might give the impression that student misbehaviour has broken out like a plague. The likelihood, however, is different.

Roused by the demonstrations in December-January, the conservatives in the party have put the squeeze on the colleges to clean out the unorthodox and the trouble-makers. The attack on undergraduate high-jinks is just part of a campaign to keep the party's thumb pressed well down on student activity.

In consequence universities have clamped down hard. Some students have been expelled, some warned and some listed as wrongdoers on college notice-boards. Perhaps worse, their misdeeds will be noted on records that will stay with them for life.

Shenzhen university students last December join widespread protests against increases in teaching fees

Milder measures have included efforts to boost boy-scout-type loyalty such as Fudan's "soliciting suggestions for the new version of the school song". Recalcitrant scholars have been urged to "learn to love the school" and hold "heart to heart chats" with ardent activities.

But the major weapon in the party's new campaign is China's familiar one of the despatch of students to the countryside to do voluntary labour.

Ten thousand students from Peking university are off to poverty-stricken areas like Ningxia in western China or Anhui in the east, supposedly to provide "technical assistance".

The Peking Economics College has despatched a team to the Jinggan mountains in Jiangsu, one of the cradles of Mao Tse Tung's revolution, to teach the peasants how to sign the contracts.

Chinese People's University students have fanned out all over China to work in major steel and coal plants. In all, over 1m students will be doing manual labour this summer.

When Deng Xiaping, China's reformist leader, came to power 10 years ago, colleges stopped sending students to the countryside to gain more time for study and to try to make up for the dearth of educated people caused by the closure of schools in the 1966-76 Cultural Revolution.

While education officials have stressed that the labour programme will take place outside class hours and will not interfere with academic pursuits, it is a sign of the shift in values since January in the Chinese leadership's thinking.

For the sake of a good political record, many students may now spend time on labour which is quite irrelevant to their degrees. The campaign is a depressing omen for a developing country constantly handicapped by its extreme shortage of intellectual skills.

Moi accused of torturing opponents

By Stephanie Gray

AMNESTY International has accused the Kenyan authorities of trying to silence political opponents of President Daniel arap Moi by torture and detention without trial.

As least two people have died in custody and a further 100 critics imprisoned in the past year, the London-based human rights group said in a report, Kenya: Torture, Political Detention and Unfair Trials, published today.

The organisation said the Kenyan Government appeared to have adopted a deliberate programme to silence or intimidate its political opponents. Prisoners of conscience had been tortured and detained indefinitely by administrative order without charge or trial.

Most victims had been arrested on suspicion of having links with Mwakenya, a secretive radical movement which is critical of corruption and of the government's closeness to western countries. Many, however, appeared to have done no more than criticise the way the country was run, the report said.

The latest government crackdown, which began in March last year and which has brought US calls for a public investigation, led, Amnesty said, to the arrest of several hundred suspected political enemies, including lecturers, students, journalists, lawyers, businessmen, civil servants and farmers.

Amnesty said that, in a so-called "swimming pool" torture used by the police Special Branch, "prisoners have been held naked for days on end in waterlogged underground cells, in some cases, until their feet began to rot."

BBC denies S Africa claim on ban

By Robert Mauthner

THE BBC has disputed a statement by the South African Embassy in London that Pretoria had "at no stage placed a ban on BBC television news correspondents."

The BBC said it had been "effectively banned" from South Africa when the authorities refused to renew Mr Michael Buerk's work permit after its expiration date of May 24.

Though Mr Buerk was due to be replaced as correspondent in South Africa by Mr James Robbins, the change-over was not scheduled to take place until this month. Mr Robbins did not receive his South African visa, for which he had applied in March, until last week. There was thus nearly two months during which BBC TV News was prevented from operating in South Africa.

A South African Embassy spokesman in London said that, following the announcement that Mr Buerk's permit would not be renewed, the South African ambassador met a senior representative of the BBC. The ambassador assured him that there was no ban on BBC reporters and that Mr Robbins' application "was receiving urgent attention."

The spokesman emphasised that, during the interval between Mr Buerk's departure and the arrival of the new BBC TV News correspondent, the BBC Radio correspondent in South Africa, Mr Graham Leach, was covering for BBC TV News. It was therefore incorrect to claim that the BBC, as an organisation, had at any time been banned from South Africa.

Mozambique alleges rebel massacre

By Anthony Robinson in Johannesburg

THE MOZAMBICAN state owned news agency (Aim) yesterday reported that more than 380 people were killed on Saturday in and around the town of Homoine, 500 kms north of Maputo, by Mozambican National Resistance (MNR) rebels.

Quoting the provincial radio of Inhambane Aim said many women, children and old people were among the victims together with patients from the local hospital.

A further 49 seriously wounded people had been taken to the provincial hospital of Inhambane.

Commenting on what it called the Homoine massacre Aim said that the MNR attack, which began just before dawn on Saturday, followed a massive infiltration of "armed bandits" into the south of the country in recent months from South Africa.

It also accused South Africa of supplying the rebels by air and claimed that a supply plane had been shot down on May 8 near Chitipe in Inhambane province.

Angola has made similar allegations against South African military operations in southern Angola in recent weeks while the African National Congress (ANC) has accused South Africa of waging a secret war against ANC cadres in neighbouring states and further afield.

Ivory Coast to resume debt repayment

By Peter Blackburn in Abidjan

THE IVORY Coast will resume debt payments "as soon as circumstances permit", Mr Barber Conable the World Bank President said yesterday in Abidjan.

Speaking at an airport press conference at the end of a three day visit which included lengthy talks with Ivorian President Houphouet Boigny he said it was impossible to predict how soon this would be.

The Ivory Coast stopped debt payments nearly two months ago following a collapse in cocoa and coffee export earnings. The government has forecast a $750m financial gap and a one per cent decline in real gross domestic product this year.

Mr Conable said that joint working groups had been set up under the chairmanship of the Minister of State, Mr Maurice Seri Gnoleba, and the World Bank's director for Africa, Mr Ismail Serageldin, to work at a programme focussing on economic growth, rather than merely debt management.

The groups will co-ordinate with the IMF, Paris and London clubs, he added.

"We agreed there is no easy answer to Ivory Coast problems, many of which are beyond its control. Much planning and hard work is needed and this should start as soon as possible," Mr Conable said.

He said there was no "serious" divergence over investment priorities with agreement on the need to do more for agriculture and education.

Argentina to boost private sector

By Our Correspondent in Buenos Aires

ARGENTINE economic authorities yesterday announced measures designed to deregulate and increase private sector participation in key economic areas while simultaneously aiming to reduce the fiscal deficit.

The measures were introduced by Mr Juan Sourrouille, the Economics Minister, and Mr Pedro Trucco, the Public Works Minister.

They follow a rise in inflation rates, which hit 8 per cent in June and are forecast to reach 9 per cent this month. The budget deficit is 6.5 per cent of gross domestic product, two points above that targeted in this year's accord with the International Monetary Fund.

The most significant measures include:

● Restructuring of the state-owned oil company, Yacimientos Petro Liferos Fiscales (YPS).

● Financial re-ordering of public companies, with the exception of the state railroads, eliminating their access to automatic Treasury transfers and concentrating investment funds in one common pool under the control of the Minister o Public Works.

● Privatisation of eight petrochemical companies controlled or partially belonging to the Ministry of Defence.

● Elimination for the 1987-88 harvest of export taxes on three major grain crops and reductions on three others and the opening to private sector participation of specific areas within the communications and transport sectors.

Other measures were announced in the area of tax and financial sector reforms. Most salient are changes in the tax structure and reforms in the official banking sector.

Analysts say there are unanswered questions as to how the changes will be implemented and to what extent the large body of measures is a list of good intentions. While they are definite signs that the government wants to move in the direction of a more open economy with a reduced state sector, many, if not most, of the measures will require legislative changes or approval.

FED MONETARY POLICY REPORT TO CONGRESS

Progress clouded by risks and imbalances

MR PAUL VOLCKER, the outgoing chairman of the US Federal Reserve Board, yesterday delivered the semi-annual Humphrey - Hawkins monetary policy report to Congress. The following are excerpts from the report:

"**Monetary Policy:** The economy expanded at a somewhat accelerated pace in the first half of 1987, and the civilian unemployment rate decline over the period to 6.1 per cent in June, the lowest level in this decade. Moreover, the pattern of activity has exhibited encouraging signs that a turnaround in the trade sector is under way.

An improvement in net exports in real terms appears to be providing a lift to activity in the industrial sector, offsetting slower growth of domestic spending and sustaining a moderate rise in overall domestic production.

However, the process of restoring balance to the US external accounts has involved a sizable increase in the prices paid for imported goods. These price increases have occurred at the same time that a rebound in world oil prices was carrying inflation rates above last year's modest pace.

Although some of the elements necessary for sustaining economic growth are now beginning to fall into place, the economic outlook continues to be clouded by a number of imbalances, risks and uncertainties.

The experience of the first half underscored, in particular, the dangers associated with a loss of market confidence in the dollar and the related potential for a rekindling of inflation expectations.

US ECONOMIC PROJECTIONS

	1987 (per cent) Range	Central tendency	1988 (per cent) Range	Central tendency
Nominal GNP	5½-7½	6½-7	5-8	5½-7
Real GNP	2-3½	2½-3	1-3	2½-3
GNP deflator	3-4½	3½-4	2½-5	3½-4½
Average unemployment rate	6.1-6.5	6.2-6.4	5.9-6.8	6-6.5

Source: Federal Open Market Committee members and Federal Bank presidents

The Federal Reserve, in implementing monetary policy, was sensitive to these dangers, while it continued to provide support for sustainable economic growth. During the first part of the year, growth in money and credit slowed from the rapid pace of 1986, even though pressures on the reserve positions of depository institutions remained mild. Those pressures were increased somewhat in late April and May, however, as the dollar fell sharply against other key currencies, inflation expectations flared up, and long-term interest rates jumped to higher levels.

In response to these steps, and to complementary policy actions taken abroad, the dollar has stabilised, and interest rates have retreated somewhat from their May highs.

If the nation is to achieve an orderly transition to better external balance, one marked by a minimum of financial or inflationary pressures, responsible action by many parties—in addition to the Federal Reserve—will be necessary. Further progress in reducing our federal budget deficit is essential: a failure to achieve this often-stated objective could only damage confidence in our ability to deal with our economic problems and contribute to imbalances in financial markets and the economy.

In addition, satisfactory growth in the other major industrialised countries is crucial, as are efforts on all sides to maintain and improve the openness of the international marketplace.

Economic background: The economic expansion has now progressed well into its fifth year. Real GNP rose at a 4¼ per cent annual rate in the first quarter.

Beneath these solid gains in aggregate economic activity have been welcome improvements in the fortunes of sectors that have failed to participate in the increasing prosperity of the past several years.

The most significant development has been the emerging improvement in the nation's trade performance, which has begun to close the gap between the pace of growth in the industrial sector and the rest of the economy; indeed, some segments of manufacturing have reached relatively high levels of capacity utilisation and strong profitability.

Economic strains also appear to be easing in other troubled sectors.

While the external sector has been strengthening, in real terms in recent quarters, growth in domestic demand has moderated considerably.

A key element in the recent trade developments has been the steep drop in the foreign exchange value of the dollar—almost 40 per cent on a trade-weighted basis against other G-10 currencies—since early 1985.

That decline, in conjunction with notable restraint on labour costs, has greatly enhanced the competitiveness of US producers in international markets. At the same time, though, the depreciation has caused prices of imported goods to increase—sharply in some cases—and exacerbated a bulge in prices coming from higher energy costs.

The rise in consumer prices, averaging more than 5 per cent at an annual rate over the first five months of this year, was a disturbing departure from recent experience.

In these circumstances, and with the economic advance evidencing reasonable momentum, the Federal Reserve in late April and May adjusted its open market operations to impose a somewhat greater, but still quite limited, degree of pressure on the reserve positions of depository institutions.

The rate of growth of the money stock measures M2 and M3 has been well below that of last year and close to, or below, the lower end of the target ranges adopted in February.

Credit growth: At its meeting earlier this month, the FOMC did not change the 1987 ranges for money and credit growth that it had established in February.

Consistent with the objective of maintaining progress over time toward general price stability, while supporting sustainable growth in economic activity, the FOMC decided to adopt on a tentative basis lower growth ranges for money and credit in 1988.

The central tendency of the forecasts of Committee members and other Reserve Bank presidents is for growth in real GNP of 2½ to 3 per cent in 1987 and 1988. Between now and the end of next year, this pace of activity is expected to generate jobs in about sufficient number to match the expansion of the work force.

Consequently, the civilian unemployment rate is not expected to change appreciably from the 6¼ per cent average of the second quarter,

Prices, as measured by the implicit deflator for GNP, are expected to rise 3½ to 4 per cent over the four quarters of 1987—

central tendency range reported to the Congress in February.

For 1988, projections of the increase in the GNP deflator centre on 4 per cent. Assuming world oil prices are more stable,

RANGES OF GROWTH FOR MONETARY AND CREDIT AGGREGATES

(4th qtr to 4th qtr, % change)

	1987	1988 (provisional)
M2	5½-8½	5-8
M3	5½-8½	5-8
Debt	8-11	7½-10½

Source: Board of Governors of the Federal Reserve System

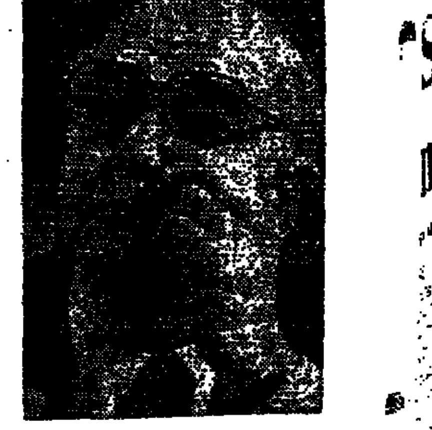
there should be no repetition of the rebound in domestic energy prices

The view that inflation next year will not rise significantly from the pace projected for 1987 is grounded in a belief that recognition of the potential for losses of market share and job opportunities will continue to influence wage- and price-setting behaviour.

While restraint on inflation is crucial in achieving an orderly adjustment as our massive external imbalance is corrected, so too is continued progress in reducing the federal budget deficit.

Inflows of foreign capital will shrink in step with the reduction in our current account deficit, and in that context excessive federal borrowing requirements, as they put pressure on financial markets, pose a threat to the ability of our economy to fund necessary private capital formation.

Finally, the members of the Committee and other Reserve Bank presidents also view the prospects for a healthy US, and world, economy as depending significantly on the avoidance of further protectionist measures here and abroad and own satisfactory economic growth in other major industrial countries.



Volcker: perfunctory

Silent tribute to Volcker

By Anatole Kaletsky in Washington

IT WAS the highest tribute the Congress could have paid Paul Volcker. There was no standing ovation. In fact, most of the House Banking Committee did not even turn up for the retiring Federal Chairman's final monetary reports to Congress.

Those who did bother to come delivered their formal votes of thanks ,took a few sideswpies at their Republican or Democratic opponents and, in a sort of re-enactment of Haydn's farewell symphony, left the committee room almost without waiting for Mr Volcker's perfunctory replies to their perfunctoy questions.

Clearly there was more important business than Mr Volcker yesterday on the political agenda.

Yet anybody who had watched Mr Volcker's appearances before the Congress through the years could scarcely doubt that the Fed chairman would take this as a compliment.

In the dark days of the 1980 dollar crisis or the depths of the 1982 recession when Mr Volcker practically needed a riot shield to fend off the political brickbats when he ventured into the Congress, the fact that he can appear in a committee room today and almost be ignored by politicians is eloquent testimony to the economic stability and independence of monetary policy making which he has done so much to foster.

When asked for a final remark about his tenure at the Fed, Mr Volcker expressed only one major disappointment. This was his failure to shepherd legislation through the Congress which would re-establish the US banking industry in a sounder and more modern legal framework.

But on the conduct of monetary policy he clearly had no regrets, either as to substance or to his cryptic style of presentation.

Asked by the traditional crush of reporters who followed him out of the committee hearings to justify the Fed's latest monetary actions, Mr Volcker said: "We looked at all the circumstances that were relevant and wedecided that we had to do what we did."

Split in Brazilian ruling party widens

BY IVO DAWNAY IN RIO DE JANEIRO

THE polarisation of the two wings of Brazil's dominant Democratic Movement Party (PMDB) appeared to be gathering pace yesterday.

Left and centre-left advocates of a four-year term of office for President Jose Sarney announced the formation of a new group—the Progressive Unity Movement (MUP)—aimed at launching a co-ordinated campaign for direct presidential elections in 1988.

At the same time, Mr Sarney was reported to have ordered the Government's leader in the Congress, Mr Carlos Sant'Anna, to build a cross-party alliance to back his call for a five-year mandate.

The sharpening of divisions between the two lobbies comes after the inconclusive outcome of the PMDB's national convention last weekend. It had been called to hammer out a coherent party position

President Sarney had hoped that most of the 724 delegates would back his position on the mandate and had pressed for a vote. But, according to reliable reports, the decision of the convention to hold the ballot in secret persuaded Mr Sarney to give way to party leaders urging a deferment of the vote to avoid an unprecedented public split in the party.

● Mr Fernao Bracher, who resigned as Central Bank president in March, has been named Brazil's chief foreign debt negotiator.

Canada's NDP takes districts

BY ROBERT GIBBENS IN MONTREAL

THE Canadian New Democratic Party swept all three federal by-elections on Monday, showing that it can turn its leading position in the opinion polls into votes.

The NDP candidate, Mr Jack Harris, a 38-year-old labour lawyer, won the Newfoundland district of St John's East, a mixed blue-collar and professional area, by 4,000 votes over his Progressive Conservative opponent.

He has become only the second federal member for the left-of-centre NDP sent to Ottowa by Newfoundland.

Ms Marion Dewar, 58, former mayor of Ottawa, held Hamilton South, near Toronto, for the NDP with a narrow majority over a prominent Liberal candidate.

Ms Audrey McLaughlin, took the Yukon district with a large majority for the NDP, with the Liberals second and the Tories third.

The ruling conservatives of Prime Minister Brian Mulroney now hold 208 seats in the House of Commons, the Liberals 40 and the NDP 33. One seat is held by an Independent.

Mr Ed Broadbent, the NDP leader, said the results confirmed his party's strong lead in the opinion polls and that the prospect of an NDP government being elected in 1988 must be taken seriously. But most observers say the NDP victory expresses widespread dissatisfaction with Mr Mulroney's economic policies and disappointment with the Liberals under Mr John Turner.

The NDP victory in St John's East, in the face of an immense effort by the Tories, probably reflects anger over the Government's handling of excessive fishing by French and other European trawlers and continuing high unemployment.

The Yukon had been held by the Tories for 29 years and the NDP victory reflected exclusion of the Yukon from the Meech Lake constitutional accord and severe regional economic difficulties. Hamilton South had been expected to re-elect the NDP candidate.

Two polls earlier this month gave the NDP about 41 per cent of the decided votes in Canada, the Liberals 35 per cent and the Tories 23 per cent.

Mr Mulroney must call the next federal election by July 31, 1988, if he wishes to take advantage of present electoral boundaries.

Otherwise redistribution will increase the Commons to 295 MPs from 282, providing Ontario and British Columbia with four more seats each and Alberta with a further five.

Wily Pinochet may succeed in hanging on after 1989

BY MARY HELEN SPOONER IN SANTIAGO

THE television camera focuses on a heavy set, shabbily dressed woman who has just received the keys to a home in a government-built low income housing development. The woman expresses her gratitude to General Augusto Pinochet's regime, and urges those homeless Chileans still waiting for placement "not to lose hope."

Such images, broadcast frequently on government television news programmes, are part of what Chilean opposition groups believe is a cleverly designed effort to boost support for General Pinochet as a candidate for the one-man presidential plebiscite less than two years away.

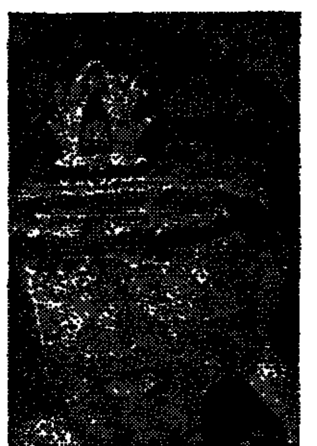
Last month three of the four military commanders who will choose that candidate said publicly they preferred a civilian as Chile's next head of state. It was not the first time they had expressed such views, but the timing of their statements indicated a stauncher resolve to block any plan to prolong Gen Pinochet's presidency past 1989, the year his current term ends.

But Gen Pinochet has been in power for almost 14 years making him the longest-running head of state in Chilean history, and it is possible that the wily head of state may still secure the nomination.

He enjoys the solid backing of most ranks in an army where disloyal officers have been quickly removed or transferred. The new generation of officers have never known democratic rule and hence are even more rigid in their views than their predecessors.

Other security force commanders are well aware of the army's strength in relation to their own forces. A contingent of the national police, the carabineros, is controlled not by the police force commander, but by an army general in charge of security for greater Santiago.

Those who step out of line have not found life easy, even if they have held senior military positions. Air Force Commander General Fernando Matthei, a moderate whose predecessor was pushed out of the government in 1978 for arguing in favour of domecratic transition, was recently the object of what diplomats say was a well orchestrated rumour campaign concerning his personal life. The army-backed regime has even on occasion considered incorporating the Chilean Air Force into the army.



Pinochet—in power for nearly nearly 14 years

Outside the army, General Pinochet enjoys considerable support in the Chilean business community, bolstered by fears of what changes in the free market economic policies a democratically elected government might bring. A Chilean business weekly, Estrategia, published a survey taken among business executives which gave the Pinochet regime's economic team a 96 per cent approval rating.

"I would say that the Chilean businessman wants things to change as little as possible," said Mr Fernando Leniz, a former economy minister and one of the architects of the National Accord — a multi-partisan platform for a return to democracy in Chile. "Contacts with politicians have been scarce, and there is a deep mutual distrust."

At the other end of the country's social spectrum, the regime enjoys a small but surprising amount of support among poor Chileans, especially those who hope to benefit from an ambitious public housing programme and slum dwellers frightened by crime and political protests in their neighbourhoods.

General Pinochet, while stopping short of old fashioned political patronage, has toured the Chilean countryside, alternately blasting his critics and meeting with local residents to discuss their problems. The regime has distributed 10,000 public housing units over the past six months, and authorities talk of reaching a record level of building 70,000 units in a single year.

Mr Eugenio Tironi, a sociologist who has studied attitudes among low income groups, said that poor Chileans expect the state to fill a benefactor role, guaranteeing such basic needs as jobs and housing and tend to support any government which promises to meet these objectives.

"Poor Chileans are more pragmatic than one might think," he said. "Human rights is an issue of greater concern to the middle class, which is guided more by volues and abstract principles."

If the regime is courting the poor, it is also cracking down hard on those people in low income sectors where anti-government sentiment runs high. Last week the military, police and armed civilians blocked off seven working class Santiago neighbourhoods, raiding previously designated homes and interrogating the inhabitants. A Catholic priest working in one of the affected areas reported that children returning home from school had their satchels searched, and in some cases soldiers took notes from their exercise books.

In another incident a Catholic rectory was raided, and a group of parishioners who had gathered to pray were beaten and arrested.

Mr Ricardo Garcia, the Interior Minister, said the authorities were looking for weapons and explosives and said the raids would continue. Officials have not reported discovering any armaments.

Military chief 'did not know' of Iran sales

FORMER US National Security Adviser Mr John Poindexter testified yesterday that President Ronald Reagan's Administration decided to sell arms secretly to Iran without consulting the chairman of the joint chiefs of staff, the nation's top military officer, AP reports from Washington.

Mr Poindexter told the congressional Iran-Contra investigative panels that even so, officials were "very careful to adjust" the quality and quantity of weapons shipments to avoid having a "decisive impact" on the outcome of the Iran-Iraq war.

Mr Poindexter also said Mr Donald Regan, former White House Chief of Staff, knew "everything the President was aware of" concerning the Iran-Contra affair, but never sought further information from the National Security Adviser.

Sen Howell Heflin, a Democrat from Alabama, said Mr Crowe found out "by accident" in late June or early July of 1986 about the sales, after several transactions had already been made.

Japanese hope SDI pact will mend US links

BY IAN RODGER IN TOKYO

THE Japanese Government is hoping that its agreement to participate in research for the US Strategic Defence Initiative (SDI) signed yesterday in Washington after eight months of negotiations, will help calm the tense relations between the two countries on trade and technological issues.

"We certainly hope this will facilitate the participation in SDI of Japanese companies and that that will lead to a further enhancement of mutual co-operation," a Foreign Ministry official said yesterday.

This is a much warmer attitude to the Star Wars project that the Government was showing last September when it announced its intention to seek an SDI agreement. At that time, the Government's view was that it would merely provide a framework, then leave it to private companies to seek contracts.

The agreement comes at a time when US anger over the illegal export of sophisticated machine tools to the Soviet Union by a Toshiba subsidiary is still high. owever, Toshiba is also one of Japan's leading defence contractors and a potential participant in SDI-related research.

The foreign ministry official said "at least a few" Japanese companies had shown clear interest in participating in SDI. Asked if he thought the Toshiba affair would reduce their interest, he said, "I hope not."

Despite this positive attitude to SDI, the Japanese Government has not gone as far as the UK Government, which set up an agency to co-ordinate participation by British companies.

Japan's participation in SDI is a sensitive domestic political issue because of the country's commitment to peace and its renunciation of nuclear weapons.

The Government has justified its approval of Japanese companies' participation in SDI partly on the grounds that only research is involved at this stage. Also, officials say Japanese companies would be unable to work on nuclear aspects of the project because they have no expertise on nuclear warfare.

The Government said last autumn when entering negotiations with the US that the difficult issues would be the extent to which participating companies would be allowed to have access to the technologies they developed during their SDI research.

However, the foreign ministry official said yesterday that this was not a sticking point. Rights to the use of technology would be granted on the basis of existing US regulations.

The negotiations took a long time because the Japanese had no knowledge of the US defence procurement system and so wanted to study it thoroughly.

The official said Japanese companies were also ignorant of the system and so he expected that they would participate initially as sub-contractors to US companies rather than on their own.

● The US House Armed Services Subcommittee was voted to ban the Defence Department from buying Toshiba products for retail sale in military stores, Reuter reports from Washington.

The subcommittee action on a 10-0 vote was the latest expression of anti-Toshiba sentiment because of the Soviet exports row.

The Soviet Embassy in Tokyo has rejected a Japanese request for one of its diplomats to be questioned by police about the possible illegal transfer of commercial secrets from Japan to Moscow, Reuter reports from Tokyo.

Tokyo police said the embassy had told the Japanese Foreign Ministry that the diplomat would not cooperate with police. Police have questioned a Japanese aircraft equipment company executive whom they suspect of selling millions of dollars in aeronautical technology to the Soviet Union since 1984. The Soviet Embassy condemned the investigation as anti-Soviet harassment.

The Japanese executive might have sold the Soviet envoy a computerised flight management system, designed to provide a computerised flight pattern for pilots of Boeing 757s and 767s, among other secrets, police said.

Exporters' success likely to embarrass Seoul

BY MAGGIE FORD IN SEOUL

SOUTH KOREA'S exporters yesterday almost achieved their target for this year's annual balance of payments surplus in only six months. This performance, however, is likely to cause the government embarrassment as it attempts to counter protectionist pressure from the US.

Figures issued by the Bank of Korea show that the half-yearly balance of payments surplus was $4.1bn, compared with $4.6bn for the whole of 1986, the first substantial surplus South Korea had ever recorded.

Trade accounted for most of the surplus, with car exports up 163 per cent, electronics up 64 per cent, toys 79 per cent, machinery 42 per cent, and even textiles, suffering from the appreciation of the South Korean won showing a rise of 37 per cent.

Invisibles contributed $920m to the surplus mainly because of income from freight insurance charges and remittances from Koreans abroad, attracted by the investment opportunities offered by the booming stock market and the appreciating won.

Lower interest payments on South Korea's foreign debt, which has now been reduced from $44.5bn last December to $42bn at the end of June, also pushed up invisible earnings.

The figures place the Government's target for a trade surplus between $7bn and $8bn and its current account surplus at no more than $5bn in doubt.

Seoul officials produced a package of measures in April, including market liberalisation, import diversion from Japan to the US and a boost to public spending to assuage US pressure.

South Korea's trade figures traditionally show a rise in the latter half of the year, particularly at peak consumer spending periods in the months before Christmas, and the figures for all of this year have already shown major advances.

A report from the Federation of Korean Industry yesterday said that exports in the first half had reached $20.9bn, compared with $34.7bn for the whole of last year, an overall growth rate of 33 per cent.

Seoul is likely to come under further pressure from Washington on the appreciation of its currency as a result of its impressive trade record.

When officials from the International Monetary Fund visited the country in June to discuss the level of the currency, South Korean officials are believed to have agreed to an appreciation of around 10 per cent, accompanied by current account surpluses of around $5bn for the next few years.

● A US-South Korean joint-venture company will build a $13.7m photo mask manufacturing plant near Seoul, company officials said yesterday. Photo mask is a film used for the manufacture of semiconductors.

The joint company, owned 40 per cent each by Asia Cement Manufacturing Co., lead manager of the project, and Macro LSI of the US and 20 per cent by Korea Technology Advancement Co., will build the plant by next year, agencies report.

Nancy Dunne meets the man leading the bid to co-ordinate business interests in the new Gatt round

Call for sanctions on the trade-rule breakers

THE DISPUTE settlement mechanism of the General Agreement for Tariffs and Trade ought to be backed by a mandate to impose sanctions on countries found to violate trade rules, according to the man leading the effort to co-ordinate European and American business interests in the new Gatt round.

Dr Pehr Gyllenhammar, chairman of Volvo and the Roundtable of European Industrialists (REI) in the UK to pick up an award from Brunel University, said that Gatt's ability to settle trade disputes was hindered because it was now "simply an ethical problem if you breach an agreement."

Further, he said, third parties injured by bilateral agreements ought to be able to bring their complaints to the Gatt. "Otherwise some major trading partners could easily design their own system."

Dr Gyllenhammar is also hoping that the safeguard procedure, which allows countries to give protection to industries hurt by imports, can be reformed. The procedure ought to be made more transparent, he said, and a time limit established either in advance by the Gatt or negotiated on a case-by-case basis.

The REI and the American Business Roundtable, which represent major executives and corporations in both Europe and the US, last April agreed to join forces to advise the negotiating Gatt teams in Geneva because, said Dr Gyllenhammar, "after all, we are going to execute what they decide."

Although the two groups have not yet reached agreement on what they want from the new round, agreement to seek an understanding on troublesome industrial issues was seen as particularly significant.

It is business, said Dr Gyllenhammar, which is responsible for most of the protection granted, and it is business which must discipline itself not to go to its political decision-makers and ask for help.

Dr Gyllenhammar seemed less interested in having the participation of Japanese manufacturers in a business advisory group. Japan is an entirely different culture, he said, and thus far, most of its market opening has been "on paper." Meanwhile, US and European business can make "substantive" contributions to the negotiations. "The Gatt rounds are always political and are run by elected or public officials. It is not easy for them to handle all the detailed issues."

Stressing that his views are simply his own and he was not speaking for the two business organisations, Dr Gyllenhammar said he hoped the trade negotiations would push for a better definition of subsidies, the costs of which, he admitted, are difficult to quantify.

For example, how much is lost in granting protection when industries fail to restructure?

"That is the problem for open trade, that you can often claim that the subsidies that are easily quantifiable are smaller than the loss of revenues you would have had you been highly open," he said.

Dr Gyllenhammar expressed considerable concern about the trade legislation passing through Congress. "A prerequisite for the enormous growth in trade is the openness of the US," he said. "It would be wrong and rather tragic if the US Congress would lose patience and restrict trade."

It was also vital that Congress give the Reagan Administration a broad mandate to negotiate in Geneva. "It would be important for any country (to have a mandate) and certainly for the biggest power in the world," he said. "One can hope Congress won't exploit the opportunity to give a narrow mandate in order to get strong advantages in the negotiations."

'Steal' Japan technology Indonesian business told

BY JOHN MURRAY BROWN IN JAKARTA

JAPANESE attitudes to technology transfer yesterday came under attack from Idonesia, historically one of its main trading and investment partners.

Speaking to a seminar in Bandung, Mr Siswono Judohusodo, a leading member of the Indonesian Chamber of Commerce, advised local companies to "steal" technology where the Japanese partner was only prepared to pass on obsolete industrial systems.

His comments highlight Indonesia's ambivalence towards Japan, a country which has invested more than $5bn in more than 200 joint venture projects, from manufacturing to plywood, textiles and fish products.

The statement which was quoted by the official news agency seems curiously timed, coming just a week after Sony Corporation of Japan granted a manufacturing licence to a Singapore-Indonesia joint venture company to set up a $11m electronics plant in west Java to produce video tape recorders and compact disc players, the first of its kind.

Mr Masaaki Morita, the company's deputy president, said Sony "was ready under a step by step approach to transfer technology in the manufacturing of various products."

The move is likely to be warmly welcomed at a time when Indonesia's domestic electronic industry is facing its worst-ever recession.

Only last week Mr Sanyoto Sastrowardoyo, vice chairman of the Indonesian Investment Board, complained that during the past two decades Indonesian partners had learned virtually nothing of the technology and "only a few companies have been able to reach manufacturing level."

Indonesia's parliament is considering an amendment to its 1982 copyright law, which aims to give better protection to holders of intellectual property, including computer software

Air Malta in Boeing deal

BY GODFREY GRIMA IN VALLETTA

AN international banking consortium is financing the $40m purchase of two Boeing 737-200 aircraft by Air Malta.

The consortium, led by Chase Manhattan Bank, includes Sumitomo Bank, Gulf International, Societe Generale, Banco di Napoli, Istituto Bancario San Paolo do Torino, and Banque Nationale de Paris.

The 10-year loan accord carries a 0.25 per cent interest over the London Interbank Offered Rate.

The first of the two aircraft, which will bring up the fleet to 10 aircraft, was delivered yesterday.

Poor use of computers identified in schools

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

WIDESPREAD FAILURE to make full use of computer technology in schools and a reluctance by older pupils to read are highlighted in a report by England's educational inspectorate published yesterday.

Even where secondary schools are well stocked with books they are often seriously under-used, the independent inspectors say. The use of computers, which might help pupils to make up for what they lose by the lack of reading, remains "disappointingly limited."

These concerns are added to a list of continuing deficiencies which the inspectors have noted in their annual reports on England's state-maintained education service since 1981.

The reports, covering schools, polytechnics and colleges, are usually published in May, but this year – as in 1983 – publication was delayed until after the general election.

The inspectors say that while most of the 97 English local education authorities' schools and colleges provide satisfactory teaching and equipment and their pupils and students respond well, there are still sharp variations in the quality of education available in different places.

When the inspections on which the report is based were made last autumn, 32 of the authorities were judged to be making unsatisfactory provision in most main aspects of schooling, such as teachers and support staff, accommodation and materials.

The worst difficulties arise from poor management and leadership on the part of town halls, school heads and senior teachers. Another "crucial" barrier to all-round improvement of educational standards is that a sizable minority of teachers expect too little of their pupils and are insufficiently aware of their needs.

Even so, serious deficiencies remain that cannot be overcome solely by better management of the money and other resources. Some primary schools still have classes with more than 35 pupils, and some authorities find it difficult to recruit teachers for the youngest children.

The inspectors point to worsening shortage of specialists, particularly in science, mathematics, crafts, design and technology.

In a fifth of all classes seen by the inspectors, pupils' work was affected by the poor state of buildings.

Mr Kenneth Baker, Education Secretary, commented that the report was based on inspections made at a time when extra funds budgeted the previous spring for various aspects of education had not worked through to the schools and colleges.

Provision for Education and the Quality of Response in Schools and Colleges in England, 1986. Free of charge from Publications Despatch Centre, DES, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Racal takes 2-year pensions 'holiday'

BY DAVID BRINDLE, LABOUR CORRESPONDENT

RACAL, the electronics group, said last night that it was taking a two-year "holiday" during which it would make no contributions to the pension funds of its 32,000 employees.

The group is the latest in a growing list of companies to declare unilateral pension contribution holidays because funds are heavily in surplus. The trend is causing increasing alarm among trade unions.

Lucas Industries, the engineering and aerospace group, has faced industrial action since it declared a second successive two-year holiday earlier this year. Philips, the electronics group, has taken a 18-month holiday.

Racal's move was announced in a statement issued after unions at the Racal Decca subsidiary said they had been told last Friday that employer contributions to the subsidiary's pension fund would be suspended for two years.

The statement said actuarial valuation had shown all the group's pension funds to be in "significant surplus." As a result, benefits were being improved in all the fund schemes at an average cost of 66 per cent of the surplus funds being redistributed.

The group was unable to say how much money was being redistributed in all, but it did say that £7m would be spent on two improvements to the Racal Decca scheme.

The statement continued: "Following the advice from the actuaries, Racal management have decided that the pension schemes are adequately funded and the company is in a position to stop contributions for 1987–88 and 1988–89 financial years, while at the same time providing benefit improvements to all the schemes."

Unions at Racal Decca had lodged a nine-point demand for improvements in the subsidiary's scheme – including a cut in the retirement age – to be funded by what they say was a £7.5m surplus.

NatWest move prompts collapse of national bank pay bargaining

BY JOHN GAPPER, LABOUR STAFF

JOINT PAY bargaining in the banking industry collapsed yesterday when the National Westminster Bank withdrew from the Federation of London Clearing Bank Employers and was swiftly followed by the federation's two other members, Barclays and Lloyds.

NatWest's move took the two other banks by surprise, coming in the middle of industrial action over pay and negotiations on London and territorial allowances for 193,000 staff, but it was broadly welcomed as allowing more flexibility in a changing market.

The federation, formed in 1968, imposed a 5 per cent pay deal on about 150,000 clerical staff this year. Although NatWest said the offer would not be improved, Lloyds said that it welcomed the chance "to restore a more normal relationship with our staff."

Mr Tom Frost, NatWest's group chief executive, said the decision to pull out of the federation had been prompted by changes within the financial services industry and the business world which meant that membership had become "incompatible and at time in conflict with our business needs."

There have also been differences between federation members over both this year's pay award, and London allowances. NatWest has faced some recruitment problems in the capital and pressed for a larger increase in allowances than was agreed.

The Banking, Insurance and Finance Union, which represents about 46,000 staff in the three banks, expressed uncertainty at the effect of the collapse of the federation, which has come in the middle of pay negotiations for Channel Islands' bank staff.

Mr Bob Carthy, general secretary of the separate National Westminster Staff Association, said he welcomed the development, but believed it would lead in turn to looser ties between the staff associations and unions which comprise the Clearing Banks Union.

The federation had 12 members when it was formed, a figure reduced gradually by mergers and withdrawals. Midland pulled out two years ago and has since negotiated pay and basic working conditions separately.

Mr Nick Cowan, director of the federation, said he believed the decision would inevitably lead to pressure for regional pay variation and could mean "leapfrogging" of pay rates within London, where recruitment problems are most intense.

The Government has been pressing for an end to national pay bargaining both across industries and within individual companies employing staff in different regions.

Costs of BA sale 'might have been less'

By Richard Tomkins

THE NATIONAL Audit Office, parliament's watchdog on government spending, has questioned whether full value for money was obtained in the privatisation of British Airways earlier this year.

In a report to parliament on the share offering, it says that costs were proportionally lower than the average for earlier privatisations. But it asks whether they could not have been lower still without sacrificing the sale's objectives.

The report is the second this month to have criticised privatisation costs. Two weeks ago, the National Audit Office questioned several aspects of the handling of the British Gas sell-off last November.

The latest report finds that the net costs of privatising British Airways were £42.6m, representing 4.7 per cent of the total proceeds. That compares with an average of 5.2 per cent for previous privatisations and 6.4 per cent for British Gas.

One reason why the British Airways issue was proportionally cheaper than British Gas's is that far less was spent on marketing – some £5.10 per applicant compared with £10.59 for British Gas.

However the report questions whether all the costs incurred on bonus shares and other incentives in the British Airways issue were necessary given that the flotation was aimed at deepening rather than widening share ownership.

It also says it is arguable whether the initial market premium of 68 per cent on the partly-paid share price and 35 per cent on the fully-paid price could be called satisfactory, pointing out that it represented a difference of £317m on British Airway's stock market value.

However, it says that the pricing decision had to be taken when share prices generally were volatile, and that the Transport Department took expert advice in making its decision.

Elsewhere, it notes that the department's financial advisers thought the premium would be 10 to 15 per cent on the fully-paid price.

The report also reveals that the Transport Department rejected the notion of a partial tender arrangement in the style of the British Airports Authority (BAA) offer, after being advised against it by Hill Samuel, its merchant bank adviser.

Hill Samuel is reported to have advised that a full tender would discourage small investors and that a partial tender would make underwriting difficult, so leading to lower overall proceeds than a fixed price offer.

National Audit Office Report on Sale of Government Shareholding in British Airways. House of Commons Paper 37. HMSO. £4.50.

Miners return to work

By Charles Leadbeater, Labour Staff

MINERS AT Frickley Colliery, South Yorkshire, voted to call off their week-long strike which has been at the hub of the coalfield's dispute over the operation of British Coal's revised disciplinary code.

Men from Frickley have been picketing 11 pits on the coalfield which have been at a standstill in support of five miners at Frickley who were suspended for alleged breaches of the code.

Only 19 Frickley men voted to continue the stoppage at a meeting of more than two-thirds of the 900-strong workforce.

Branch officials recommended the return to work after the colliery had become increasingly isolated in the dispute.

Mr Steve Tulley, the Frickley National Union of Mineworkers (NUM) branch secretary, said: "We will go back, regroup and rethink our strategy. But if there is any victimisation or any reprisals this branch will take immediate strike action."

Mr Tulley said he would be seeking urgent talks with colliery managers over the five men at the centre of the dispute, who allegedly left work early prior to their holidays. "I have no doubt we can sort this out in the next 24 hours," he said.

It seems that national talks over the disciplinary code are unlikely to start soon.

Thatcher discounts 'rent-a-flag' charges

BY IVOR OWEN

KUWAITI tankers could not gain an automatic right to fly the red ensign flag and thus secure Royal Navy protection when in the Persian Gulf danger zone, Mrs Margaret Thatcher, the Prime Minister, indicated in the House of Commons yesterday.

Her initial response to questions by Mr Neil Kinnock, the Labour leader, failed to allay the concern on the opposition benches about the implications of what Mr Gerald Kaufman, the shadow Foreign Secretary, described as a "rent-a-flag policy."

On three separate occasions Mr Kinnock pressed for a clear-cut assurance that "no ships other than British ships" would be allowed to fly the British flag.

He insisted that it would be wrong to adopt a similar policy to that of the US by "permitting the re-flagging of non-British ships with the British ensign."

Brushing aside Labour protests, Mrs Thatcher replied: "Let me substitute the word "flagging" by "registration". If other ships apply for British registration then ordinary conditions apply and we consider each one of them separately."

Mr Michael Martin (Labour) took up the questioning and asked: "Are you inviting other merchant marine vessels, from other countries, to fly the British flag by seeking British registration so that they can be protected by the British Navy?."

The Prime Minister answered: "No. Nor can you interpret anything I said in that light."

Sir Geoffrey Howe, the Foreign Secretary, was also closely questioned about the issue when he made a statement on the decision of the United Nations Security Council to call on Iran and Iraq to observe an immediate ceasefire in the Gulf war.

He was asked by Mr Jonathan Aitken (Conservative) to explain the Government's response to the request made earlier in the day by the Kuwait Government for some Kuwaiti vessels to be "reflagged under our flag."

Sir Geoffrey said such a matter was not "an inter-governmental matter."

BRITISH AND FRENCH CONTRACTORS COULD SHARE £100M BONUSES

Early-finish incentive for Tunnel builders

BY ANDREW TAYLOR

BRITISH AND French contractors employed to build the Channel Tunnel could gain more than £100m in bonuses if they finish the £5bn project early.

Mr Alastair Morton, British joint chairman of Eurotunnel, which will operate the 31-mile rail tunnel, said yesterday that the consortium would share with the contractors savings achieved by finishing the project ahead of schedule. He said contractors could stand to gain more than £100m by finishing early.

He was convinced that there were sufficient 'carrots' and penalties in construction contracts negotiated with the main contractors to ensure that the project would not overrun in terms of time or budget.

The tunnel is scheduled to be completed in 1992 to allow time for stringent testing ahead of the official opening in 1993.

Mr Morton was speaking at the Scottish works of James Howden which has won a £8.4m contract to provide two tunnel-boring machines for the consortium. The first should be completed shortly and is expected to be in position to start digging by the beginning of December.

By then Eurotunnel is expected to have completed all of its financing arrangements including a £750m international share offer due this autumn.

Mr Morton revealed that three more British banks, Barclays, Lloyds and Standard Chartered, had joined the banking group which has agreed in principle to provide the Channel Tunnel project with up to £5bn in loans and standby credits.

The underwriting agreement with the international banks, which have increased from 40 to 50, is expected to be signed by the middle of next month, according to Mr Morton.

National Westminster and Midland banks, as founding shareholders of Eurotunnel, are already members of the banking consortium.

Eurotunnel said yesterday that more than a quarter of the loan finance would be underwritten by British banks. A similar proportion would be underwritten by French banks with Japanese banks also underwriting a similar amount.

Once the underwriting agreement is signed the banks will proceed with plans to syndicate the loan package with a wider range of international banks.

A rolling international financial road show is planned by the banks and Eurotunnel to aid the syndication efforts. This will begin in London at the end of August and will end two weeks later in Toronto. Centres to be included are New York, Tokyo, Amsterdam and several other leading European capitals and financial centres.

Public service TV advocated for Europe

By Raymond Snoddy

EUROPEAN governments should seriously consider the introduction of a new public service broadcasting channel completely financed by subscription in each country, a new study published yesterday by Logica Consultancy argues.

This would encourage a gradual transition to financing public service television by subscription rather than licence fee as television "viewers" increasingly become television "consumers."

Logica suggests that on such subscription channels new material shown should be available within six months on non-subscription channels and that news, current affairs and national events should not be broadcast exclusively on subscription channels.

The study forecasts that in future large media group spanning both television production and distribution will take over major parts of the current role of the broadcaster in the 1990s.

Logica believes that at least 25 new commercial television channels were on the way in Europe.

Television Broadcasting in Europe: Towards the 1990s. Marketing Services Logica, 64 Newman Street, London W1A 4SE. £695.

US law firm establishes link with City of London solicitor

BY HAZEL DUFFY

FINLEY KUMBLE, a fast-growing US law firm, is forming a formal association with Berwin Leighton, a City of London solicitor.

The agreement is the first between American and British lawyers since the Law Society liberalised its rules earlier this year. It provides for fee-sharing between the partners of the two firms on legal services provided jointly but stops short of a merger because the rules do not allow British firms to go into partnership with overseas ones.

The arrangement will be keenly watched in London. In March the announcement by two big City law firms, Clifford Turner and Coward Chance, that they were to merge, surprised the City. This attempt by Berwin Leighton to create an international law business marks a new direction by which other City solicitors might seek to bolster their future in the face of change in the profession.

Berwin Leighton, itself formed from a merger in 1970, is in the middle league of City firms. It has 40 partners in London and New York, where it has a branch office, but is not big enough to expand much beyond its present horizons.

Mr John Fenner, chairman of partners, explained the reasons for the association: "The law business is changing. There is the question mark over whether multi-disciplinary practices will be permitted, the freedom which has come to the Stock Exchange and the City generally, and pressures on international business."

"This is a positive step to build a firm which will meet the international challenges in the coming years." Both firms claim that the arrangement will be to the benefit of their clients as well as the firms themselves. Joint teams will be formed to give legal advice and prepare documentation for clients where British and American law are involved, saving the clients the expense and time of engaging two firms.

For the firms, the association provides instant access to each other's domestic territory – something which it takes much longer to reach through the mechanism of setting up branch offices – if it can be achieved at all.

Finley, Kumble set up a London office last year. The managing partner is Mr Robert Albert, an American lawyer who has worked in London since the 1960s. He said: "It is only through an association like this that you can have the impact on the local market."

It also opens up to the American firm access to the key centres in south-east Asia – Singapore and Hong Kong – and the Middle East, apart from Saudi Arabia, where British law holds sway.

American Lawyer magazine last month put Finley, Kumble's fee income at more than $150m (£93.6m) in 1986, making it the second largest law firm in the US. It is young in comparison with the established American law firms, and has a reputation for being very aggressive. Growth has been almost entirely by acquisition, from six to more than 600 lawyers in less than 20 years, and it now has 14 offices in the US.

Finley, Kumble approached several big City firms with a view to an association, but found them not willing or ready for such a step. Mr Robert believes, however, that several medium-sized firms are ready and that there will be similar associations "once the ice has been broken".

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Mercury raises leased line telephone charges

BY DAVID THOMAS

MERCURY COMMUNICATIONS, the fledgling rival to British Telecom, has announced its first significant price increase — substantially higher charges for leased lines.

Most large companies and City businesses use such lines and pay a rental for them, usually covering a period of a year, rather than paying for each call.

Mercury's increases are greatest for leased lines covering a short distance, which are mainly used by customers in the City.

Customers may accuse Mercury of taking advantage of BT's recent bad publicity and of waiting until it had captured customers before announcing the rises.

Mercury denied these suggestions yesterday and said it had been considering the price changes for some time. Its leased line charges remained substantially below BT's and it was its first price increase in four years.

The new prices are contained in a complex package with different changes for different types of leased line service.

The largest increase is for digital lines of less than two kilometres, where the annual rental is more than trebled from £222 to £670, though Mercury said few customers used this service.

Voice lines of less than 2 km, widely used in the City, go up from between £180 and £222 to £250 a year.

Trunk routes of up to 50 km are increased from £10,500 to £12,900. Those over 50 km go up by an average of 3 per cent.

Mercury said it was increasing the charges to bring them into better balance with its costs. It has told the Office of Telecommunications, the industry's regulatory watchdog, it has been losing money on some of its leased line services.

Costs, particularly in the City, had risen rapidly recently, and its charges had been set four years ago when Mercury was just launching itself.

The company claimed that most of its leased line rentals would still be substantially lower than BT's—by about 20 per cent in most cases but by more than 200 per cent in some.

Mercury has notified Oftel of the changes but Oftel would intervene only if it thought that the new charges were substantially out of line with costs.

City 'poised to invest in housing'

BY RALPH ATKINS

INVESTMENT BY City institutions could double spending by housing associations on homes for low-income families under a bill expected to be published in November.

The Housing Corporation, which supervises 2,652 housing associations, said yesterday private investors could eventually be induced to provide £700m a year towards housing for the homeless and those with special needs.

The bill is expected to include measures to stimulate the private, rented housing market and make it more attractive to institutional investors. It will also extend the corporation's power to combine private sector and public funds for housing projects.

The bill's provisions would revolutionise the role of housing associations which provide and manage homes for people unable to afford to buy or rent a suitable house.

Sir Hugh Cubitt, corporation chairman, said the indications were that City investors would be prepared to invest in private rented housing if the market was made more attractive.

"I think there is generally a feeling in the City that it ought to be doing more about housing. There is a degree of civic consciousness provided the investors can get a proper return on their investment," he said.

The corporation is experimenting with housing projects using only 30 per cent public finance but these will acount for less than 5 per cent of its total budget. Under the proposed legislation, which would come into force in 1989, projects combining public and private finance would gradually increase in importance.

Sir Hugh said: "The possibilities are great if methods of financing can be devised which prove genuinely attractive to investing institutions, as well as socially supporting."

The proportion of such housing funded privately would vary between projects allowing more public support in high-cost areas such as London. About £150m might be derived from private investors in the first year.

Measures expected to be included in the bill include the abolition of fair rent legislation for new lettings and changes in the way Housing Corporation grants are provided.

The corporation estimates these changes will increase rents by an average of 20 per cent, but Sir Hugh said families which could not afford this rise should be compensated through increased housing benefits.

He denied the bill would lead to exploitation by profit-seeking landlords. "I do not think there is any danger of Rachmanism if you have a housing association as a landlord. They are non-profit-making organisations."

However, the corporation is anxious that the legislative package is accompanied by an increase in its annual grant, if only to assure critics that private funds will not just be a substitute for government grants.

NatWest to cut mortgage rate

By Hugo Dixon

NATIONAL WESTMINSTER, the biggest clearing bank, yesterday announced a cut in its mortgage rate for existing borrowers from 11.25 per cent to 10.15 per cent from August 1.

Last month NatWest lowered its mortgage rate for new borrowers to 10.5 per cent but the latest move came as a surprise as bank base rates are expected to rise rather than fall. Other lenders are not expected to follow suit.

zNatWest's decision was taken on the assumption that base rates would remain at 9 per cent where it still makes a wide profit margin on its mortgage lending.

Southampton city shops project to cost £50m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

SOUTHAMPTON City Council's drive to make its own centre competitive against spreading out-of-town retail centres has been boosted by Arlington Securities and Bredero Properties' decision on a joint shopping scheme.

The companies are to spend £50m on a £450,000 sq ft project which will incorporate premises for existing main retailers in the district which include Tyrrell and Green of the John Lewis Partnership, C&A and Plummers.

The council has urged completion of the project in the belief that a scheme of such magnitude would compete with any likely development out of town. This suggests that planning permission will be given quickly.

Associated British Ports and a partnership of Provincial Developments and J. J. Gallagher, have filed a planning application for a 200,000 sq ft retail warehouse pack with a food store outside the docks, near the town centre.

Southampton council has been seeking to mount a national campaign against out-of-town shopping centres

Brewer to close packaging plant

GREENALL WHITLEY, the brewer which recently merged with Davenports, will rationalise the group's brewing and packaging operations with the loss of 78 jobs.

The Davenports packaging plant will be closed and canning and plastic bottling facilities for the take-home market will move to the Cambrian soft drinks factory in Bolton, Lancs, on December 11.

The Wem brewery will close next February and production will be transferred to Birmingham.

Plan for Bristol docklands

FINANCIAL TIMES REPORTER

BRITISH RAIL, South West Gas and Bristol City Council plan to form a consortium to develop a site in Bristol's derelict city docks described by the council as "one of the most attractive waterside development opportunities in Britain."

The council's land and general purposes committee is to discuss the project tomorrow.

The 20-acre site at Canon's Marsh, half a mile from the city centre, adjoins a 12-acre site for which Lloyds Bank has outline planning permisison to build an administrative headquarters, to replace its London office.

The 20-acre site has already attracted the interest of at least five developers.

The leading plan is for a £150m leisure complex to include a 30,000-seat covered superbowl large enough for a full-sized soccer pitch and other sports activities, the first Olympic-sized swimming pool in the West Country, an exhibition hall larger than any single hall at the National Exhibition Centre in Birmingham, a cinema, theatre, boating lake, shopping mall, public houses and waterfront houses and flats.

Oldest N-plant to continue in service

By David Fishlock, Science Editor

BRITAIN'S oldest nuclear power station, Bradwell in Essex, is expected to continue in service at least until 1992, when it will be 30 years old.

Like all the first-generation nuclear plants, it was designed for a life of 20 to 24 years.

A long-term safety review of the station's two Magnox reactors, conducted by the Central Electricity Generating Board on behalf of the Nuclear Installations Inspectorate, has concluded that it is safe to continue in operation, and subject to certain conditions can continue at least until 1992.

In its report on the long-term safety review, published yesterday, the inspectorate sets out 17 "key requirements" on which it seeks satisfaction, and dates by which it expects them.

Failure to meet these dates could, in the most serious cases, mean that the nuclear inspectors will demand a "down-rating," involving a reduction in operating pressure and hence a lower electrical output from the station.

The CEGB said it was confident it could meet the dates and believed the cost of fulfilling the requirements would be £3m to £5m.

The CEGB said the main costs would be in man-hours devoted to theoretical studies that demonstrated the continuing integrity of the pressure circuit and ability of the reactors to stand up to an earthquake.

Mr Eddy Ryder, chief nuclear inspector, called the exercise a nuclear stocktaking to see how the station had measured up to current demands in nuclear safety. "And it has measured up pretty well," he concluded.

Mr John Rimmington, director-general of the Health and Safety Commission, to which the nuclear inspectors report, forecast that when the time eventually came to shut down the Magnox reactors, the reason would not be safety but economics. It would no longer be worthwhile for the electricity industry to continue the investment to meet changing perception of nuclear safety.

The report states that "no life-limiting factors have been identified which might preclude safe operation up to 1992."

But it says the inspectors require the CEGB "to devote more effort to rationalising and extending its programmes for systematic examination of plant and monitoring for ageing effects."

It says the inspectors have concentrated their review on the effects of ageing and in-service wear which are not accessible for renewal.

Bradwell nuclear power station. The findings of NII's assessment of the CEGB's long-term safety review. HMSO. £6.00.

Bus industry jobs threatened

By Kenneth Gooding, Motor Industry Correspondent

THE 20,000 jobs in the bus and coach manufacturing industry are threatened unless the Government gives the industry a long period of stability, the Society of Motor Manufacturers and Traders said yesterday.

Over the past 20 years the industry had been subjected to "an unwarranted level of government interference" which had caused considerable upheaval in demand for buses and coaches, the removal of the new bus grant and the deregulation of bus services.

Calling for a term of stability to allow manufacturers to plan ahead, Mr Anthony Fraser, the society's director, said: "We want the Government to establish a clear and consistent transport policy and to carry out a national survey on the impact of deregulation so operators can confidently plan their vehicle requirements and manufacturers can organise their production to meet them."

Judge questions continuation of Spycatcher injunctions

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge yesterday questioned the value of continuing injunctions stopping newspapers publishing material derived from Mr Peter Wright, the former MI5 officer.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, suggested that the damage the Government had tried to avoid had been done now that Mr Wright's book Spycatcher had been published in the US.

The attempt to demonstrate that the secret service was leak-proof had failed, he said.

Sir Nicolas is expected to give judgment today on the application by The Guardian and Observer newspapers for the ending of temporary injunctions banning them from publishing Mr Wright's allegations.

It has been accepted that the fate of a similar injunction obtained last week against The Sunday Times will also be decided by the judge's ruling.

Mr John Mummery, for Sir Patrick Mayhew, QC, the Attorney-General, argued that the situation had not been essentially changed by the US publication of Spycatcher or the fact that copies of it had "infiltrated" into the UK.

There were serious issues to be dealt with at the full trial of the case and if the temporary injunctions were discharged, the Crown would be deprived of the chance of a permanent order at the trial.

Members of the secret service owed an absolute and stringent lifelong duty of confidentiality to the Crown, said Mr Mummery. "You cannot run an effective secret service if any member of it is free to publish information he has acquired as a member."

If there were further publication in the UK of material from Mr Wright and the Government was seen to be unable to prevent it, there would be an increased loss of confidence in the security services.

Sir Nicolas said he could not understand why security service officers in the UK were unable to write about their work when those in other countries could. However, he accepted that the Court of Appeal had said there was total protection against a member of the secret service writing anything.

"I am bound to say it is beyond me," the judge commented.

He said circumstances had changed since the injunctions were granted last July and that the balance between keeping the secret service secure and the freedom of the press had to be reassessed.

Sir Nicolas said the Attorney-General might regard Mr Wright as a "polluted" source of information, but the fact was that his information was now public and "quite a lot of people know about it."

Mr Mummery said that was not the point. Only a few thousand people had seen Spycatcher and, unlike the newspapers, they were not trying to disseminate it to millions more.

Sir Nicolas asked whether that mattered, bearing in mind that the original purpose of the orders against the Guardian and Observer had been to stop unfriendly foreign security services gaining confidential information from Mr Wright, or friendly ones losing confidence in Britain's ability to keep secrets.

He told Mr Mummery that if there were a way of keeping the secret service leak-proof, he would support him totally, but the object of the injunction had not been achieved.

Pearl in move to Peterborough

BY NICK BUNKER

PEARL GROUP, the life assurance company, is to redevelop its 73-year-old headquarters in High Holborn, London, and shift more than 90 per cent of its head office staff to Peterborough.

Mr Nigel Proddow, chief general manager, said the move would be phased over the next four years and was intended to cut costs, escape space constraints and add to the value of the Holborn building, which is an asset of the group's life funds.

Pearl, a home service insurer and one of the top 15 life companies by premium income, said the redevelopment plans were still at an early stage and the building had not been put up for sale. Pearl did not put a figure on the building's redevelopment value, but one estimate put it at £100m.

The group plans to begin constructing a 250,000 sq ft office on a 20-acre site on the Peterborough business park next spring. It should be ready in 1991, but the first stage of the move should take place later this year.

Mr Ken Hutton, general manager of Peterborough Development Corporation, which has sold Pearl the site, said this would be the biggest relocation to the town since the business park started an expansion programme in 1985.

About 1,300 people work in the domed, seven-storey Holborn building, an architectural landmark completed in 1914 and listed by the Environment Department because of its neo-classical facade and an interior marbled staircase.

Pearl said it intends to leave only 50 investment and acturial staff in a small London office. It would offer jobs in Peterborough to the rest of its London staff.

Pearl already has 300 staff in an administrative and computer centre opened in the town in 1975. Mr Proddow said the move from Holborn had been an option for several years, but serious consideration had been given only recently. The building was "bulging at the seams" and was unsuitable for new technology.

The news comes at a time when the stock market has been regarding Pearl as a potential bid target. Pearl has tried, however, to bolster its competitiveness by restructuring itself around a new holding company last year, by reorganising management responsibilities and by introducing new products.

Unit trust sales rise to £1.4bn

BY ERIC SHORT

UNIT TRUST sales continues buoyant and investment records were broken again last month, according to figures issued yesterday by the Unit Trust Association.

Sales in June were £1.4bn—almost £200m more than the previous monthly record in March. Sales have exceeded the £1bn level for six successive months.

Sales in the first six months of the year totalled £6.95bn—75 per cent up on the same period last year and not far below the £8.7bn figure for the whole of 1986.

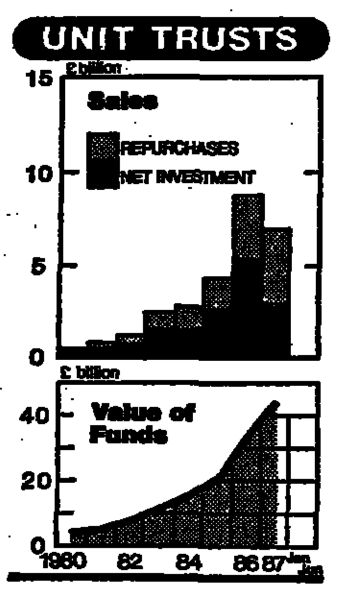
The growth has caused an increase in administrative workload for some management groups. Mr Bill Stuttaford, chief executive of Framlington Group and chairman of the association, admitted that some groups had problems but claimed that in general the industry was coping well.

Repurchases of units by investors, at £605m last month, remained at a high level with much of the proceeds used to finance new sales. Many unit trust groups report that investors are switching out of Japanese-based funds. UK funds are the most popular buy.

Net new investmnet in June was a record £791m—about £100m more than the previous high in January. It brought total net new investment in unit trusts in the first half of the year to £2.96m, which is only a fifth above net new investment in the first half of last year and some way from the £5.2bn figure in 1986.

New investment, together with buoyant stock markets, has led to a steady rise in the value of managed funds. The value rose by nearly £3bn in June to a record £44.2bn at the end of the month.

The number of unit-holder accounts grew by more than 100,000 during the month to a record 4.06m. Many unit-holders invest in more than one trust or group. Estimates put the number of investors at about 1.4m.



Onshore oil licence round announced

BY LUCY KELLAWAY

THE GOVERNMENT yesterday announced a second round of onshore licensing inspite of declining interest in onshore oil since the first round in 1985.

In a parliamentary answer, Mr Peter Morrison, the new Energy Minister, said companies would be invited to bid for unlicensed onshore areas and for some areas just off the coast.

The announcement comes as onshore exploration has hit its lowest level for nearly four years. In May, there was no activity onshore.

The Department of Energy, which decided to hold the round after consultation with the industry, is thought to be prepared for a small number of applications.

However, some of the largest onshore players have recently signalled a continuing commitment to onshore oil. In a deal announced earlier this month, BP acquired the bulk of Trafalgar House's onshore oil assets and is believed to be keen to expand.

Mr Morrison said: "Now is the right time to invite new applications for onshore licences so that exploration momentum can be maintained. Operators have made substantial progress on the first round licences and there is evidence of continuing demand for new licences to warrant a round."

Applications, which are due by October 28, are being invited for 10 km by 10 km blocks based on the Ordnance Survey grid, but non-standard blocks can also be applied for.

The first round met with an enthusiastic response, with 117 companies bidding for 446 blocks, of which 95 were licensed. Since then, 11 exploration wells have been drilled.

Onshore drilling has become less popular since then due to unfavourable tax changes and the failure of most companies to make significant discoveries.

OBITUARY

Maurice Green: journalist

MR MAURICE GREEN, the former editor of the Daily Telegraph who died at the weekend aged 80, was one of the band of young men in the 1930s who helped to lay the foundations of modern financial journalism.

He was appointed editor of the Financial News at the age of 28 in 1934 and with Mr Brendan Bracken, its chairman, was credited with increasing the paper's performance to such an extent that it was able to raise its advertising rates to match those of The Times and the Financial Times.

The Financial News was taken over by the FT in 1945 although it was the tradition of the Financial News which heavily influenced the character of the Financial Times.

Mr Green was hired by Mr Bracken after his Oxford contemporary, Mr Randolph Churchill, had described him as someone who had got a double first at Oxford in spite of going out drinking every night. The drinking was exaggerated by Churchill, but the intellect and the ability to perform under pressure without ever appearing to be in a hurry was not.

Under Mr Green, the Financial News was widely seen as a paper of flair and courage, if not quite of the same status as a paper of record as the FT.

Mr Green and Mr Otto Clarke, his chief leader writer and head of the Lex column, came up with a particularly pioneering innovation on July 1, 1935 which has stood the test of time. They produced the FN 30-Share Index which in due course would become the FT Ordinary Share Index.

Mr Green had the rare quality of being able to stand up to Mr Bracken without antagonising him and even managed to persuade his parsimonious chairman to pay Financial News journalists the NUJ rate.

Mr Green was on The Times for 18 years, the last eight of them as assistant editor, and edited the Daily Telegraph from 1964-74.

He was also for many years on the press panel which selects the winners of the annual Wincott awards for financial journalism.

The awards were a link with his early days on the Financial News. Mr Harold Wincott was hired as a sub-editor on the paper in 1930 before going on to become probably the leading financial journalist of his day.

Bulgarian military attache expelled

By Our Foreign Staff

BULGARIA'S military attache in London has been expelled for suspected espionage. Col Ivan Pavlov Djambov was yesterday given 14 days to leave because of what the Foreign Office described as "activities incompatible with his status," the phrase normally used to indicate spying. He had lived in Britain since November 1985.

The seriousness with which the Foreign Office views Col Djkambov's alleged activities may be gauged by the fact that this is the first expulsion of a Bulgarian diplomat on record, and comes when relations between London and Sophia were considered to be improving.

Bilateral trade has been increasing, and there have been a number of ministerial visits in the past two years.

The expulsion is not expected or intended to disrupt this. The Foreign Office has insisted that a replacement for Col Djambov will be perfectly acceptable so long as cleared by the UK authorities. No ceiling on the number of Bulgarian diplomats in London is being contemplated.

The suggestion in Whitehall is that the military attache's activities breached the limit of what is tacitly considered acceptable for a diplomat in his position, and that a rap on the knuckles was felt to be in order.

No comment was available from the Bulgarian Embassy last night.

Tourism chief happy despite summer rain

By David Churchill

THE TYPICAL English summer weather — rain, rain, and more rain — came at an embarrasing moment for the English Tourist Board.

While Mr Duncan Bluck, board chairman, extolled the buoyancy of the tourist trade last year — in spite of Libya and Chernobyl — England's seaside landladies were counting the cost of yet another day of scattered showers.

Even the short heatwave a few weeks ago did little to counter the wet spring and early summer weather which dampened bookings in may seaside resorts. At the same time travel agents are reporting an increase in overseas package holiday bookings.

However, the tourist trade seems to be remarkably resilient. Last year about 12.7m foreign visitors came to England. This was fewer than in the record year of 1985, but they spent £4.9bn — almost the same as the year before.

Holiday trips by British residents in England totalled 106m last year, compared with 105m the year before. They spent about £10m more per week in England last year, to reach total spending of some £5.6bn.

Thorn EMI wins £5m radar work

By Lynton McLain

THORN EMI Electronics was yesterday awarded two Ministry of Defence contracts worth more than £5m for experimental battlefield surveillance radar.

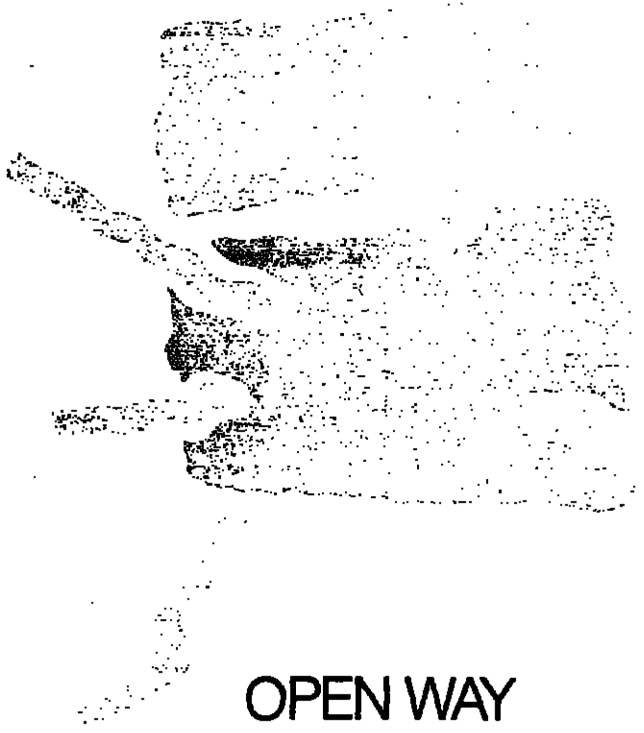
The contracts for the airborne stand-off radar (Astor) could lead to production contracts worth tens of millions of pounds, according to the company.

Ferranti and Marconi, a GEC company, two other electronics companies, also competed for the orders.

The contracts will provide the MoD with two battlefield radar systems for evaluation. One is derived from Thorn EMI's Skymaster radar. This is fitted in the Pilatus Britten-Norman Defender twin engine aircraft and can pick up moving targets at low levels.

The other system for evaluation is based on the Skymaster and uses high altitude synthetic aperture radar techniques for spotting low targets. This radar is currently fitted in a Canberra aircraft.

OPEN WINDOW
BY
Raoul Dufy



OPEN WAY
BY
ICL

Both are masterpieces in their own way. But, while the Dufy might look good on your board-room wall, ICL's Open Way programme will have a far more profound effect on your business.

Open Way is, quite simply, a new and complete approach to networking. One that embraces all the different sources of information in your business – not just data, but voice, text and image systems too.

The Open Way programme enables all these existing systems to be joined together – opening the way to the faster flow of information you need to retain and enhance your competitive edge.

As you would expect from ICL, the Open Way programme has been designed around the International Open Systems standards. So not only different types of equipment but different manufacturers' equipment can work together. This gives you real freedom for the future by ensuring that you need never be locked into a single system or supplier again.

The Open Way programme represents ICL's total networking capability, incorporating all ICL's networking skills, products and services. Open Way is a philosophy for success, so whether you're currently an ICL user or not, Open Way will open up a brighter future for your business – helping you make more of your resources and more of your people.

We should be talking to each other. ICL

Open Window at St. Jeannet c.1926 by Raoul Dufy copyright DACS 1987.

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MANAGEMENT

Daimler-Benz trucks

Looking at everything again

Kenneth Gooding explains the significance of the industry leader's strategic re-think

THE MAJOR rationalisation currently sweeping the world heavy truck industry has not left Daimler-Benz of West Germany untouched. A new management team, dedicated solely to the Mercedes commercial vehicle business, has been installed and already it is signalling important shifts in direction.

Across the whole spectrum of Daimler-Benz's commercial vehicle activities "we are looking at everything again," says Jurgen Schrempp, who is responsible for sales in the new commercial vehicle division of the world's largest truck producer.

"Just because we said something was not feasible five years ago doesn't mean it still is not feasible."

The latest reorganisation of the Daimler-Benz top management team following the decision of Werner Breitschwerdt to resign early from the chairmanship will have a direct impact on the commercial vehicle division. Helmut Werner, chairman of the Continental Tyre Company, is to join the Daimler-Benz board and take responsibility for the division.

But the new strategy is unlikely to change much, particularly as Schrempp is to oecome Werner's deputy.

This suggests that Daimler-Benz's strategic re-think could well emerge as one of the most important changes in the heavy truck industry in the past year or so—even if it lacks the drama of some other happenings.

Those events included General Motors, the world's biggest automotive group and one which once hoped to challenge Daimler-Benz's heavy truck market leadership, virtually giving up supplying heavy trucks to civilian customers, closing down its Bedford truck operations in Britain and handing over its heavy truck business in the US to Volvo of Sweden.

Ford, the second-largest automotive group, has eased its way out of the European heavy truck business by transferring its operations to Iveco, the Fiat-owned company.

The impact of this change was felt mainly in the UK, which was also affected by another deal—when Daf of the Netherlands acquired Leyland Trucks from the UK government.

Apart from the lack of drama, the changes within Daimler-Benz's truck operations have also been obscured by the restructuring which followed the group's acquisition of the AEG electronics company, and Dornier, the aerospace business, last year with scarcely a pause for breath between the deals.

The subsequent decision to split the commercial vehicle and car operations apart for the first time seemed just a logical step in the necessary restructuring.

But Dr Gerhard Liener, the management board member now responsible for the commercial vehicle devision but who is to become Daimler-Benz's new finance director, says the split was already under consideration because the group's sales of Mercedes cars and commercial vehicles world-wide had reached about DM 50bn a year ($28m) and Daimler-Benz "was in danger of losing flexibility."

> 'If we can't sell 100 per cent of a truck in a country but could sell 20 per cent and make bucks . . . we will take the 20 per cent'

Another director, Ernst Goehring, deputy head of commercial vehicle research and development, says that divisionalisation is already having a beneficial impact—particularly by speeding up decision-making.

Liener also points out that the two sides of the vehicles business are no longer in step, reflecting the economic cycles.

Since 1980 the commercial vehicle operations have been gripped by recession whereas demand for Mercedes cars has risen strongly and steadily.

This is amply illustrated by the fact that last year cars accounted for 48 per cent of Daimler-Benz's total DM 65.5bn turnover and the commercial vehicle operations for 27 per cent. In 1979-80 the positions were reversed.

However, Liener stresses that the diversification into electronics and aerospace and other changes in no way signal any diminution of the importance in which Daimler-Benz views the commercial vehicle operations. "The commercial vehicle business is, and remains, one of the mainstays of our company. We are absolutely determined that this will remain the case in hte future too," he says.

Werner will take over a truly global business. Daimler-Benz has five commercial vehicle factories in West Germany (at Mannheim, Woerth, Gaggenau, Dusseldorf and Kassel) and production and assembly plants in Argentina Brazil, Mexico, the US (where it owns the Freightliner company), South Africa, Nigeria, Spain, Turkey, Saudi-Arabia, Australia and Indonesia.

Last year the group's commercial vehicle output increased by 6 per cent to more than 226,000 and should increase again this year to about 235,000, still well below the peak 273,000 in 1980. Included in the 1986 total were 118,100 trucks of 6 tonnes gross weight and over, giving Daimler-Benz world leadership and putting it well clear of Isuzu of Japan, with 100,888, and Ford, 92,552.

The group has never separated—and probably never will—the financial results of the cars and commercial vehicle businesses. Daimler-Benz's rivals suggest it has been losing about DM 500m a year recently on its European heavy truck operations—a figure about which Liener studiously avoids making any comment. He does insist, however, that the total commercial vehicle division is profitable.

Liener is convinced that the worst times are behind the truck industry because oil prices will rise steadily in the next few years and enable the oil-producing countries in the Middle East and Africa to start buying trucks again.

"But the recovery will not be like the rush we saw in the past. That was not normal. But zero demand is not normal either."

The bad news for the European truck producers, says Liener, is that they will not be able to take much advantage of any recovery in either the Opec countries or the developing nations because of competition from the Japanese.

"Probably it will be impossible in future for any European to export to those markets outside Europe because the Japanese have improved the quality of their vehicles and also are expanding in South-East Asia which they see as their home market. The Japanese are also well-entrenched in Africa and even in the US, but they have been stopped there recently—fortunately—by the rise in the value of the yen."

Liener suggests that Daimler-Benz will rise to this challenge by implementing a global strategy—"we are probably in a better position than any other manufacturer in the world to apply a global strategy to the commercial vehicle business.

"This may mean integrating individual locations into an internationally co-ordinated production structure in order to exploit the advantages of location, or it may mean serving particular markets with locally-developed vehicles oriented to the regional markets," says Liener.

Picking up this theme, sales director Schrempp says it might be possible, for example, for Daimler-Benz to integrate production in Brazil, Mexico and the US in some way.

Daimler-Benz produces about 6,000 vehicles a year in Argentina and 50,000 in Brazil. The Brazilian subsidiary has already developed a new generation of bonneted trucks to be launched next year gradually to replace the entire range in Argentina and Brazil.

"Brazil is interesting not only as a market but also as a production site for supplying difficult export markets which we can no longer satisfactorily serve from Germany — for example the Far East and the US," says Liener.

The group has also made plans which should allow it to hold on in Malaysia where it is the sole remaining European truck maker in an area dominated by the Japanese.

There seem to be few sacred cows the group would not be willing to slaughter. Even its dedication to vertical integration and the production of its own key components—such as engines, gearboxes and axles—is no longer sacrosanct.

The group is still intent on filling gaps in its geographic coverage. It has a new subsidiary in Japan which will follow a niche-marketing policy and starts in a small way in the autumn with vans fitted out as luxury, air-conditioned, midi-coaches.

Negotiations have been going on with the Chinese about assembly of heavy trucks and studies made of the Indian commercial vehicle market.

Schrempp says: "If we can't sell 100 per cent of a truck in a country but could sell 20 per cent of a truck and make bucks, in future we will take the 20 per cent.

Liener estimates that the heavy truck industry's excess production capacity is about 100,000 a year in Europe, more in the US and probably even more in Japan—although he has no hard statistics to back his hunch about the Japanese industry.

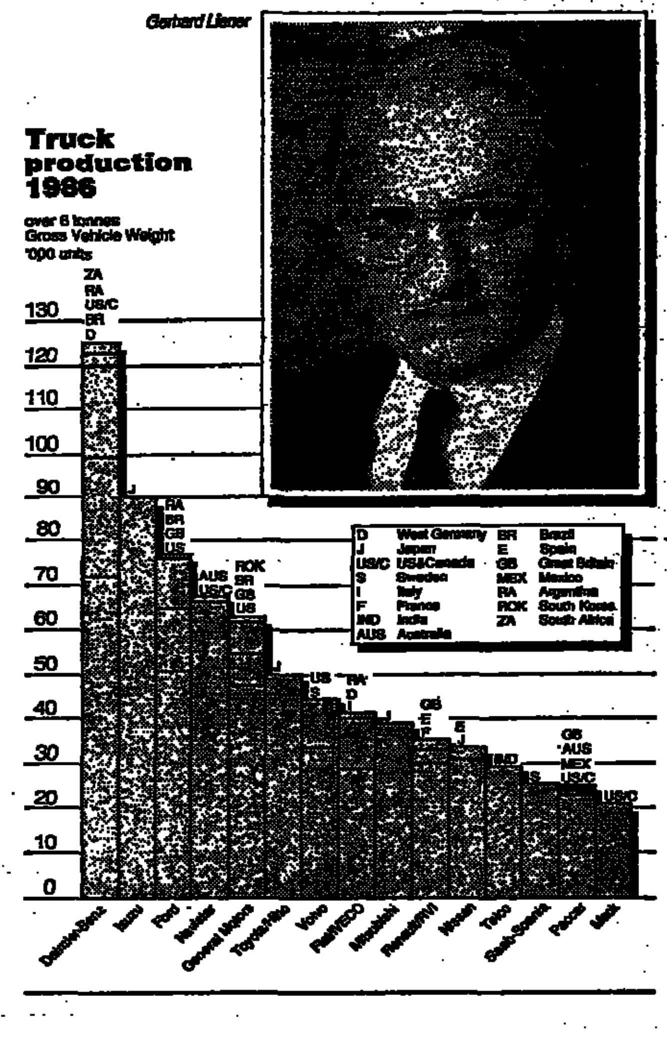
He suggests Daimler-Benz has made its contribution to cutting capacity in Europe "but almost in an invisible way" because much of the capacity has not been closed down but is being used instead by the group for car assembly and car components. This has prevented the redundancies which otherwise would have been necessary.

For example, all van production is now concentrated at Dusseldorf. Bremen, which used to share the load, is now producing only cars. Liener estimates that 10 to 15 per cent of capacity at the commercial vehicle plants is being used for car component production.

This will rise shortly as the group starts to make plastic trim for the car interiors and its heavy truck plant at Woerth.

The decision to move car component work to the factory in part reflects the group's certainty that there will be little growth in demand in Europe for heavy trucks in the medium term, mainly because those vehicles on the roads will be used much more efficiently in future.

There is much better potential for growth elsewhere in the world but, as Liener says: "We don't know how the commercial vehicle landscape will look in five years' time, but it will look very different."



Commitment comes in many forms

BY MICHAEL SKAPINKER

HOW MANY decisions, whether trivial or momentous, does the average manager make during a working day? Too many to keep track of, no doubt. Spare a thought then for the employee in a giant food factory with the following complaint: "I make more decisions driving to work than I ever do once I get there."

Home and work, the same employee says, "are two different worlds. At home I am fully involved. There are decisions to make about the children's education and family finances. At work, about nothing."

Creating a Committed Workforce is a new book about 14 British companies which have devoted much effort in recent years to winning the active co-operation of their staff. Their employees are, as a result, apparently less despondent than the one quoted above.

Ironically, several of the companies cited were among those which put their workers through a traumatic time at the beginning of the 1980s, shedding thousands of jobs in a bid to regain profitability.

These workers who were left were often fearful and cowed, but managers used the hiatus to reconstruct a system of industrial relations which, they said, would be based on cooperation for the good of the company rather than perpetual sniping and outright confrontation.

Like Goldsmith and Clutterbuck's The Winning Streak, this book trumpets the good news from British industry and commerce. Many of the now familiar names are here, such as Jaguar, Pilkington and Burton. There are a few new-comers, too, to this roll of honour, such as the slimmed-down and profitable British Steel Corporation.

The authors, Peter Martin and John Nicholls, both management consultants, describe how each of the 14 companies went about creating employee commitment. Much of what emerges is familiar by now—for example, that employees are less concerned about participating in the company's overall strategic decision-making than they are in gaining some control over their own day-to-day working lives.

But the individual case studies are full of interesting tit-bits; none of the companies cited went about creating employee commitment in quite the same way.

TI Raleigh, the bicycle manufacturer, acquired earlier this year by Derby International, needed a way to maintain employee morale when it moved production of its lightweight bike from its Worksop factory to Nottingham. It was decided that "on every bike produced, the workers involved would attach a signed label with their photograph, and a note that the bike was 'handbuilt by craftsmen.' Product pride is reinforced when people write in and compliment the individual worker whose bike they have bought."

The book also does its best to encourage the faint-hearted. All the companies found that although the road to co-operative industrial relations was strewn with obstacles, persistence paid off.

When management at the chemical company Albright and Wilson attempted to explain the organisation's financial position to groups of employees "they fell flat on their faces. The reason was simple. Their message was too complicated. The workforce did not understand the financial terms that were being used, and the first meeting ended in incomprehension. Management retreated an dtried again some months later. This time the message was simplified and understood."

The descriptions of the various aspects of employee commitment and the case studies are written in such a way that each can be read individually. For anyone trying to read the book all the way through, this has the disadvantage that the same anecdotes crop up repeatedly. A book that one is expected to dip into rather than read at one sitting needs a good index. The one-page effort provided here is pretty useless.

Published by and available from the Institute of Personnel Management. £9.95 paperback, plus 70p p and p. To be published shortly in hardback by McGraw-Hill.

Company Notices

CHARTER CONSOLIDATED P.L.C.

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

A final dividend of 12.32876p per share will be payable on or after 6th August, 1987 to persons presenting coupon No. 46 detached from share warrants to bearer. The dividend will carry a tax credit of 3.32876p per share.

Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) between 10.00 am and 3.00 pm at the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, or at Credit Lyonnais, 19 boulevard des Italiens, 75002 Paris, or L'Europeene de Banque, 21 rue Laffitte, 75428 Paris. Listing forms may be obtained on application.

July 21, 1987

40 Holborn Viaduct
London EC1P 1AJ

RE: KANSALLIS INTERNATIONAL BANK S.A.
ECU 25,000,000
SUBORDINATED FLOATING RATE NOTES
DUE 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 23, 1987 to January 25, 1988 the Notes will carry an interest rate of 7¼% (inclusive ¾% margin).
The coupon amount so calculated will be Ecu 37,458.

GENFINANCE NV
US$100,000,000 Floating Rate Notes due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six month period from July 22, 1987 to January 22, 1988 the Notes will carry an interest rate of 7¹¹⁄₁₆ per cent (inclusive ¼ per cent margin). The coupon amount so calculated will be US$387.36.

BANQUE NATIONALE DE PARIS
US$250,000,000
Floating Rate Notes due 1997

Applicable interest rate for the interest period from 21 July, 1987 up to 21 October, 1987 as determined by the reference agent is 7¹⁄₁₆ per cent per annum namely US$1836.81 per bond of US$100,000.

Public Notices

FYLDE BOROUGH COUNCIL
ST. ANNES OPEN AIR BATHS SITE

The Council wish to redevelop the Open Air Baths site in partnership with private investors. The Baths occupy a prime position in the Promenade Gardens of St. Annes and, together with an adjacent car park, cover an area of about one hectare. The new Municipal Swimming Baths is immediately adjacent to the site which is but a few minutes walk from the Town Centre.

St. Annes caters for those holidaymakers who do not seek the brashness of some resorts and the Council wish the redevelopment to be in line with this concept and the use of the site for Bingo Halls or Amusement Arcades will not be allowed. Investors of substance and with experience in meeting the recreational needs of residents and visitors alike should contact the Clerk and Chief Executive Officer, Fylde Borough Council, Town Hall, Lytham St. Annes, FY8 1LW for an appointment.

B. J. SMITH
Clerk and Chief Executive Officer

Town Hall
Lytham St. Annes
FY8 1LW

Legal Notice

NOTICE OF ADMINISTRATION ORDER
THE INSOLVENCY ACT 1986

In the Matter of: ROSE OF WATFORD LTD.
Nature of Business: MOTOR DEALERSHIP.
Administration Order made: 13 July 1987.

pp ADRIAN R. STANWAY and J. MARTIN IREDALE
Joint Administrators

IN GERMANY THEY CALL IT "SCHICK."

WITH THEIR USUAL DISREGARD FOR ROMANCE, THE AUDI ENGINEERS PREFER: "EINE UMFASSENDE NEUAUSWERTUNG DER AERODYNAMISCHEN WERTE."

THE REAR of the new Audi 90 looked as though it wouldn't be out of place on a race circuit.

"VERY FASHIONABLE, very chic," we ventured.

THE FACES in the room dropped in unison. Audi's aerodynamics expert, Dr Burkhardt Leie, broke the stony silence in the politest possible way.

"IT'S NOT fashion, it's not chic. It's a major reevaluation of aerodynamic values."

TRY TELLING that to the driver turning heads on Munich's Maximilianstrasse, we thought.

DR LEIE continued: *"Nothing on the Audi 90 is there for show. The spoiler, for example, increases the down force of air on the rear of the car, giving it greater stability at speed.*

"AS AIR flows across the rear section it meets the spoiler. The natural shape of the spoiler causes the air to rise. But what goes up automatically comes down on the other side. This increased down force reduces the incidence of lift and improves stability.

"THERE IS also an effect on the 90's Cd factor of some 2%."

"AH, COEFFICIENT of drag," we said.

"YES. WITH the 90 we wanted to obtain a Cd factor of 0.31. To you the car may look fast, but to us it is merely the result of minimization of air resistance.

"YOU MUST remember, that the Audi 90 is a powerful car. A very powerful car," Dr Leie continued.

"TOP SPEED 128 mph on your autobahns," we chimed in.

"EXACTLY. THE 2.2 litre version can develop 100kw/136bhp. Such power would be wasted without the correct optimization of the basic body all the way through to blower stream velocity testing. By lowering the resistance, we reduce fuel consumption at speed. In addition, our work enables us to improve the car's flow-noise and handling characteristics."

BLOWER STREAM velocity? Dr Leie's enthusiasm was in danger of reaching gale force. We attempted to slow him down.

"SO, HOW do you optimize the car's shape?"

"QUITE SIMPLE. We develop the basic shape of the body in a wind tunnel with a model scale of 1:4."

"AND THEN?"

"ONCE THE shape is right, there are obviously requirements in terms of styling, comfort and legal regulations that must be incorporated. These, naturally, produce a deterioration in the drag coefficient."

"NATURALLY," WE replied without total conviction.

"OUR TASK was to take these restrictions and devise a way to reach our target of 0.31.

"THE OPTIONS included the aerodynamically-beneficial design of certain exterior components."

"FOR EXAMPLE?"

"THE CAREFUL improvement of the external mirrors, cooling air-feed system and soundproof panelling beneath the engine and gearbox."

"HOW LONG did you spend in the wind tunnel?"

"2,500 HOURS, overall. We tested production line vehicles with full engines, closed front panels, road going wheels and grilles in the Wolfsburg wind tunnel. We took measurements at wind speeds of 120, 140 and 160km/h."

NEVER MIND wind speed, Dr Leie was in full flow.

"THEN WE conducted an additional study in Europe's largest wind tunnel located in Holland. We tested for the effect of open side windows on the Cd value and so on."

"MUCH OF a difference?" we asked, bracing ourselves for the inevitable.

"WITH THE front window open, 0.0008% of a km/h."

OUR MINDS started the mental arithmetic. 0.0008% was precious little to sacrifice in a car capable of 200km/h.

AND YOU could see where Dr Leie's handiwork had contributed. The side windows were flush with the body skin. The door handles were flush mounted for an uninterrupted body shape.

THE FRONT and rear aprons were gleaming one-piece designs. The bonnet sloped gently. And, of course, there was the rounded shape with that spoiler.

WE THANKED Dr Leie and made our way to the exit.

TURNING FOR one last look at the car, we caught sight of the Audi 90's wider wheels.

"IMPRESSIVE WHEELS, mind you, very racy," someone said.

THERE WAS a certain consternation amongst our German hosts. Dr Jorg Bensinger, Audi's chassis and suspension expert, stepped forward wearing an air of indignation.

WHAT, WE wondered, was the German for 'déjà vu'?

Audi

DER NEUE AUDI 90. VORSPRUNG DURCH TECHNIK.

THE NEW AUDI 90 STARTS FROM UNDER £14,000. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TELEPHONE (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER STREET, LONDON W1M 1FB. TELEPHONE 01-486 8411.

UK RESEARCH INTO SUPERCONDUCTORS

Oxford focuses on capacity limits

By Jane Rippeteau

IMAGINE a huge box full of ping pong balls. You could fill the box, but it would still have a low density because of all the empty air pockets among the balls.

The image is analogous to one of the chief impediments to commercial use of recently-discovered materials that transmit electricity without resistance and without the expensive cooling systems required by older-technology materials.

The new "superconductors," have spurred great excitement worldwide because their performance at warmer—though still very cold—temperatures means that computers, motors, electro-magnets and other products made from them could be far cheaper to build and operate.

Superconductivity occurs in certain materials when chilling slows atomic activity, allowing electrons to flow through them more easily. Superconductors in use today need a bath of liquid helium to make that happen because they have to be chilled nearly to absolute zero (0 degrees Kelvin, or —273 degrees Celsius).

The new materials reach a superconducting state at around 95 degrees Kelvin, easily attained with liquid nitrogen, costing about 20 pence a litre. Liquid helium costs around £8 a litre.

But the brave new world envisaged from harnessing the new materials may be a long way off. Two main limitations must be overcome: their form, and their inferior performance in terms of the amount—or density—of electrical current they can cope with.

OXFORD University last Thursday set up formal mechanisms to co-ordinate its research into superconductivity.

With some 50 to 60 people in four to six different university departments now involved, Oxford dons formed a co-ordinating committee of five members, and set aside a day in September for a formal seminar at which researchers are to explain their work to each other, according to Jonathan W. Hodby, lecturer in physics at Oxford's Clarendon Laboratory.

The Thursday meeting also constituted a formal decision that Oxford will devote resources to superconductivity research at the expense of other work, says Hodby.

"Thousands of people worldwide are converging on this poor compound," says Peter Day, committee representative for the inorganic chemistry department, referring to the new alloy found by IBM scientists in Zurich last year. This material superconducts at easily-achieved cold temperatures. "We had to ask, 'Should we get involved at all?'"

Oxford was among British universities invited last Friday by the Science and Engineering Research Council to submit applications by September for selection as Britain's main inter-university centre for superconductivity research. It will be up against top research teams at Cambridge and Birmingham universities, among others.

Scientists at Britain's Oxford University are among researchers worldwide tackling these issues. "Nobody knows enough about the materials yet to say if the problems are insurmountable or not," says Brian Derby, a member of the superconductor research team in the Oxford Department of Metallurgy.

A recipe which calls for yttrium, barium, copper and oxygen (or one other mixture) to be baked for a day in a platinum pan in a brick kiln, and then slowly cooled, the new superconductors come out as brittle, crumbly black lumps.

Scientists say if you hit them, they shatter. Some dissolve in water. They do not lend themselves easily to fabrication into wires that could be wound around a core to make a magnet, for instance, or into thin films that could be used to build circuits on computer chips.

"We need miles and miles of homogeneous product," says Harry Jones, head of England's top magnetic field test facility, at Oxford University's Clarendon Laboratory.

In his hands, he holds a foot-long prototype of a wire, a malleable silver tube tightly packed with superconducting material like coal powder. "There is promise in the new materials," he says. "But it will be years before reliable lengths are on the shelf in quantity."

Some researchers believe the new materials call for new design concepts. One, at Southampton University, thinks a simple ceramic tube shape fabricated by a tiny advanced-materials company in the UK already holds promise for some applications (see accompanying article).

But whether wires, films or tubes, none of these forms will be meaningful for industrial use unless another problem is resolved. The new materials are not dense enough in their ability to transmit current: they carry only about one-hundredth as much electrical current per unit of area as the older-generation superconductors needing the costly cooling systems.

Oxford's metallurgy team is using its world-class electron microscope—so powerful it can see atoms—to study the material's basic structure in the hope of correcting this limitation. At issue are such matters as atom alignment, crystal voids and jagged boundaries.

The material is built up of crystals that form as the mixture slowly cools after its fiery melt-down in the kiln—much as crystals grow as water evaporates from a dish of salty sea water.

The crystals grow up in an askew formation, with boundaries between them and voids among them, just as there are boundaries and air pockets among ping pong balls in a box. The boundaries and voids can interrupt electron flow, hence interfering with the material's overall ability to transmit current, according to Edward Boyes and Pratibha Gai on the metallurgy team.

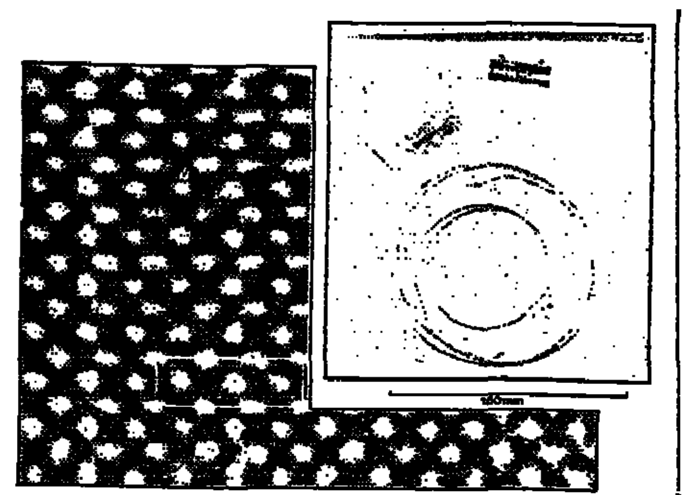
Scientists refer to this ability as current density and measure it as amperes per square centimeter. The new materials weigh in at about 1,000 to 5,000; older-generation superconductors perform at some 100,000 and above. To improve that, "we are trying to lower the percentage of voids," explains Boyes.

But it is not as simple as that. Something must be done about the boundaries as well. The crystals, says Brian Derby of the team, "are like bubbles. If you blow on bubbles, the breeze won't go through." The boundaries, Derby notes, may impede electron flow, just as bubble walls block a breeze.

"It's 99.9 per cent certain there is something there," says Derby. "We want to know what it is and how we can remove it without destroying the properties of the bubbles."

Derby and his team are building equipment, to be ready by the end of this summer, which will attempt to measure the density of current flow across crystal boundaries to see just how the current is affected.

In the international race to understand and harness these promising materials, they will not be alone in this work.



Atomic structure of a superconductor made by Oxford researchers, and silver wire packed with the new superconducting material.

Conflicting views on the validity of off-the-shelf super-tube

IN A hastily assembled collaboration with a tiny British advanced materials company, a Southampton University scientist is running experiments this week on a ceramic tube made of superconducting material that he believes has potential commercial use.

The product was developed by a little-known UK company called Basic Volume. In a curious twist, company founder Carlton Tavares says he has for four years been producing alloys similar to those recently found to superconduct more efficiently, but that he had used the materials for other purposes and did not realise they were superconductors.

Industry experts are highly sceptical about the utility of the small-diameter tubes Tavares has fabricated. In general, the new superconducting material is difficult to make into useable shapes because it is brittle and crumbly. Most researchers are trying to come up with wires or thin films.

"Plenty of expertise exists," for mixing binding agents into the material to make ceramics, says Harry Jones of Oxford University. But that, he says, can alter the material's superconducting capability—that is, its ability to transmit electrical current without power loss.

Miles Drake, manager for industrial gases technology at Air Products, has provided Basic Volume with free liquid nitrogen to run experiments. "This company has considerable technical knowledge of these materials and has processing know-how," he says. "But it's not clear whether they've produced anything of genuine worth."

At Birmingham University, where scientists recently made major contributions to understanding the basic physics of the new superconductors, Christopher Muirhead says, "It sounds very impressive, but I would like to know who has seen it, who has measured it."

None of this worries James Watson, lecturer at Southampton University's Institute of Cryagenics and, according to Jones at Oxford, a man of "very high" reputation whom he knows well. Watson is confident he "could make a device tomorrow" to demonstrate a prototype instrument for separating compounds magnetically.

Such a device, he adds, if it can be built for industrial use, could be useful in the $100bn annual magnetic separation business. Mining and mineral processing industries, he notes, use magnetic fields to separate pure metals and minerals from bulk matter.

"I'm very excited about this product," says Watson. "I think there are a lot of opportunities for using macroscopic tubes rather than wires."

According to Watson, there are already two installations in the world using superconducting electro-magnets to purify clay as an alternative to conventional electro-magnets that consume huge amounts of electrical power. Those installations, he says, use older-technology superconductors that must be cooled in a bath of liquid helium to work. Liquid helium is not only expensive, at about £8 a litre, but inconvenient on a remote site.

The new superconducting materials work at warmer temperatures achieved with a liquid nitrogen, costing around 20p a litre.

Sceptics point out that the current density, or amount of current transmitted per square centimetre of area, is very low in the new superconductors.

Watson says this is not a problem either because magnetic separation does not always require high magnetic fields, and that the density Tavares claims for his products is sufficient.

Tavares, who holds a doctorate in materials science and chemistry from Imperial College, concedes that he has no independent evidence yet to corroborate his claims about his product's performance. He says he has sold the material for fuel cell electrodes and other uses.

His present tubes are 38 mm in diameter. He says that by autumn he will make them up to 150 mm across, and with funding could go up to 2 metres.

Correct mix of expert advice

LOGICA, THE London software and systems house, has developed an expert computer system which will assist in the formulation of products where constituents are mixed to obtain an optimum result.

Logica was able to draw on experience gained on the Product Formulation Expert System (PFES) Alvey project, which it shared with Shell Research and Schering Agrochemicals. PFES investigated the application of knowledge-based techniques to the formulation of lubricating oils and agricultural chemicals.

Such products as cleaning agents, paints, glues and foods can benefit from the system, which will optimise the mixing, testing, analysis and mix adjustments until a saleable formulation is derived. Normally this requires the scarce specialist skills of expert people. A knowledge-based formulation system can aid the decision making of the experts, rationalise their working practices, be used as a training aid by less experienced staff and reduce the time spent on routine work.

Credit to post room efficiency

MAIL ROOM efficiency can be improved and life made easier for the staff with a new system from Roneo Alcatel called Credipac.

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WORTH WATCHING

Edited by Geoffrey Charlish

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THE ARTS

Television/Christopher Dunkley

Too many wimps spoil the gags

Thank goodness for BBC1's repeats of *Blackadder II*. Without them television's comedy scene would be a uniform characterless desert. Perhaps it is the strong character of the writers, Richard Curtis and Ben Elton—and of the producer, John Lloyd, and of Rowan Atkinson who takes the title role—which has given the series its distinctive flavour.

Perhaps it is the 400 year-old setting in the court of Elizabeth I which has enabled them to step beyond the depressingly restrictive boundaries so dutifully observed by other current comedies. Whatever the reason, this is the only comedy running at present which does no carry with it a powerful whiff of fear: fear of the feminists, fear of the race industry, fear of stepping outside the ever stronger political consensus.

The only other series of which the same could be said is *Spitting Image* which, significantly, is also produced by John Lloyd. Even *Spitting Image* tends to stay within some of the fear boundaries. For instance I cannot remember them ever doing an item on the remarkable connection between physical unattractiveness and the shrillness with which feminist causes are preached, an ideal *Spitting Image* subject, you might think.

However, the series does regularly lampoon the *oh-so-*beloved royal family, and the oh-so-successful Thatcher government, and for that it deserves our gratitude, not for party political reasons but because it is unhealthy for any society to acquire one utterly dominant set of attitudes where such important matters as politics or monarchy are concerned. But *Spitting Image* is not currently on the air, and so it is true that *Blackadder II* is the only exception to the rules of sycophancy and whimsy which now dominate television comedy.

Blackadder II frequently pillories sycophancy. One of the central jokes is the extent to which everybody (except gormless Nursery) kow-tows to the Queen who—contrary to the fond English classroom image, though interestingly in line with modern scholarship—is portrayed as capricious, cruel and deeply insecure.

Splendidly played by Miranda Richardson, Elizabeth has about as many good jokes as Blackadder himself, ranging from the one word "Snap!" as she sits gazing at a chessboard, to her zealous leadership of the nautical craze following Raleigh's return from his long sea voyage: black eye patch and "What ho me hearties, splice the mainbrace" banter. Incidentally, this little joke itself had a serious point to make about the tyranny of fashion which, as it happens, is precisely what so many television comedies are currently suffering from

What is the setting for ITV's new sitcom *Watching?* Liverpool, of course. What sort of chap is the male lead? A wimp called Malcolm whose idea of real excitement is ornithology. Who is responsible for initiating all the sexual chemistry? The female lead, of course. And what sort of person is she? Sharp, streetwise, quick, a keen drinker, and master of the one-liner. Of her friend Pamela she says "She'll laugh till her shoes are full." Asked by Malcolm "Can I sit down?" she says "Dunno 'ave yer tried?"

The rot set in around about the time of *George and Mildred* which, now 10 years old, is being re-run by ITV. Here the home-loving, sexually shy, nervous and ineffectual archetype is played by George, and the bossy, ambitious, sexually voracious (never-get-enough-of-it) archetype by Mildred.

Similar weak man/tough woman relationships are now on view in *Valentine Park*, where he is a fey gardener and she is the level-headed one who even has to initiate the goodnight kiss. The same goes for *Farrington*, which has, at least, stepped outside the hackneyed settings to plump for South America. But what sex is the tough, thrusting, efficient, independent consul-general? Female, of course. And the weak, vain, nervous, soppy head of security? Male of course.

Last week in BBC1's *No Place Like Home* timid Trevor was trapped in his hotel room by a lecherous woman, caught by Vera, his wife, while lying *underneath* the woman, and then abandoned by Vera. His response was to shout ineffectually "Vera, come back here! You can't drive off in my car like that!" To which Vera replied "Why not?" eliciting the punchline "Well, I shall miss it."

The extent to which the stupidity, vanity, weakness, and ineffectuality of men is becoming the central — indeed, only — element in British television comedy is now worthy of a book. Those who say that this phenomenon is merely a righting of the balance, because previously it was always women who were shown in that light, should be asked to produce their evidence.

Certainly music hall comedians used to tell jokes about mothers in law and naive young ladies, but they also told jokes about male drunks, weak hemen, and stupid labourers. The *notion* that *women* used to be the butts of *all* jokes is a myth, part of the great feminist lie which seeks to take the injustices obviously done to some women in some classes within some societies during some parts of history and extend them to all women everywhere at all times, while pretending that no concomitant injustices have ever been done to men.

A few weeks ago I was asked by Dennis Main Wilson, during a BBC World Service programme on the subject of broadcast comedy, to speculate on the state of the art come the year 2000. Since DMW is the man who produced such odds and ends as *The Goon Show*, *Hancock's Half Hour* and *Till Death Us Do Part* his own guess would be a lot more valuable than mine, but with hardly a thought I found myself answering in tones so pessimistic that, afterwards, it even surprised me

I suggested that by that date, or thereabouts, a large part of the comedy we have known in this country for centuries might not be permitted at all. In place of the robust attitudes which gave us everything from the cartoons of Gillray and Cruikshank through to the television comedy of *TW3* and *Monty Python*, we seem to be moving towards a society in which over-sensitivity to the supposed rights of special interest groups leads to the disappearance of large areas of comedy altogether.

Generations of Jewish immigrants dealt with anti-Jewish jokes by telling all the best anti-Jewish jokes themselves; it was part of the assimilation process and made for a stronger society. But today there is a deep nervousness over telling jokes about the latest immigrants, not because of the blackness of their skin but because of its supposed thinness. Earlier this year newspaper reports stated that Johnny Speight had been told by the BBC to cut all references to racialism and sexism in his new series of *In Sickness And In Health* (the sequel to *Till Death Us Do Part*, still featuring Alf Garnett) which is a bit like telling Stevenson to remove all mention of pirates from *Treasure Island*.

Given the willingness of our political masters to interfere in broadcasting, despite their much proclaimed belief in freedom of choice and freedom of the individual, it is already impossible to imagine television providing political comedy anywhere near as effective as that of — say — Thomas Rawlandson at the turn of the 18th century. And given the willingness of the broadcasters to connive at the mollycoddling of "special" groups whether defined by gender, colour, nationality, sexual inclination or even size — "No more jokes about dwarfs" — it is only too easy to imagine the anodyne rubbish we may be reduced to by the year 2000.

We are well on our way down the path, and one of the clearest indications is the increasingly frequent appearance of clip shows such as BBC 1's *What A Carry On* and ITV's *Just For Laughs*. Both plunder British comedy films from the 1950s and 1960s to exploit material which television itself would not dare to produce today. In other words the broadcasters have already reached the point where even "Carry On"-style comedy can be presented only with the excuse that it is historical.

Perhaps somebody should put a preservation order on John Lloyd.

Miranda Richardson and Rowan Atkinson in "Blackadder II"

Gluck/Guildhall Old Library

David Murray

It is hard to believe that a Gluck opera, even a little one, should have had to wait until Monday for its first performance; but so it was, according to the conductor George Badacsonyi. *La Corona* is neither a trivial work nor a juvenile one: in 1765 Gluck had more than 30 operas behind him, including *Orfeo*. His new "azione teatrale" was commissioned by the Empress Maria Theresa, with a libretto by Metastasio, to celebrate the Emperor's name-day. Unfortunately the Emperor died before the intended premiere, which was therefore postponed indefinitely. Nobody could have guessed that "indefinitely" would amount to 222 years.

Gluck had already produced a "serenata teatrale," *Il Parnaso confuso*, for a highly successful family performance by relatives of Archduke Leopold (who had conducted it himself). It starred four archduchesses, and *La Corona* was designed for the same ladies. Evidently the family was rife with talent, for Gluck's music makes great demands upon his sopranos. The new simplicity of *Orfeo* was set aside for the occasion; *La Corona* is a mini-*opera seria*, with a half-dozen substantial *da capo* arias plus a duet and closing ensemble. The mythical action is slight (but we missed any detailed account of it in the programme notes all the same). The principal roles are Atalanta and Meleager, with a pair of arias each as well as their duet—in which Meleager's part, surprisingly, is the higher one.

In this City of London Festival performance, Patricia Rozario sang Atalanta with appealing grace, and Penelope Walmsley-Clark delivered Meleager's more brilliant music stirringly. There was enthusiastic support from Elisabeth Priday and Eirian James, each taking her single aria with polished confidence. One of the chief distinctions of the score is Gluck's varied and imaginative orchestration — evidently he was anxious to enrich his *pièce d'occasion* beyond Metastasio's simple frame—and the City of London Sinfonia sounded well in it from first (a bright overture with lively horns to suggest the coming hunt) to last.

Since *La Corona* plays for about an hour and a quarter, there had been room to begin the concert with Gluck's *Don Juan* ballet, four years older than the opera. There, too, Badacsonyi captured nice distinctions of gait and colour in the long chain of dances; there too, however, a list of the numbers—and their relation to the plot—was missed in the programme. Only a little of the music is dramatically specific, most of it consisting of courtly minuets and gavottes. It was a trifle frustrating not to know just when the Stone Guest had arrived (quite early, in this version of the *story*), though the sternly imposing chaconne which ends the ballet left no doubt about Juan's fate.

BBC Symphony Orchestra

Andrew Clements

With its subtitle of "A Masque for Dancing," Vaughan Williams' *Job* was an inevitable choice for this year's Proms at the Albert Hall. It is regarded in all the right quarters as Vaughan Williams' masterpiece, and the most perfect alliance of his dramatic and symphonic skills. Dyagilev singularly failed to appreciate its virtues — the Blakean scenario can hardly have helped its cause there — and the composer instead refashioned it for the concert hall, so that its overall conception now seems more thematic than balletic.

Despite its hybrid origins, it remains full of marvellous things, a source book for the later Williams symphonies and a peculiarly effective evocation of the world of William Blake. The music of the earlier sections seems the stronger now; the later writing is more episodic, colourful rather than genuinely memorable, and the use of the solo saxophone to represent Job's comforters seemed merely awkward. But its finest music can be unfolded with a rapt serenity that is profound and deeply expressive.

John Pritchard is the rapt unfolder par excellence, at his most convincing when able to nurse the music along at its own natural pace. Here the vividness of some of the scoring in the faster episodes did not tell as it might; Pritchard's command of the overall shape was so satisfying however, and the playing of the BBC Symphony Orchestra so responsive, the score emerged with total conviction, to prompt the thought that it is perhaps still the finest dance score written by a British composer.

Monday's concert was balanced with another one-act ballet, Falla's *El amor brujo*. There were no problems of flavour or colour here; Sarah Walker's throaty assumption of the mezzo-soprano part provided all the pungency needed, though again the BBC SO, and its trumpets in particular, was alert and assertive.

Between the two Ida Haendel celebrated the 50th anniversary of her first appearance at a Prom by playing Britten's violin concerto. It is one of her long-time specialities, but it did not succeed here quite as brilliantly as before; the febrile intensity of the central scherzo lacked imaginative force, and the *finale could not summon up* all its poetry.

Sammy Cahn/Duke of York's

Antony Thorncroft

Suddenly London is awash with sophisticated entertainment. On Monday Steve Ross started a season at the Ritz while Sammy Cahn was at the Duke of York's with his reminiscences of Hollywood through the ages. Mr Cahn may not be the greatest lyric writer of all time but he is certainly the bravest. He will do an impersonation of Mario Lanza at the first hint of a clap and turns the history of the Hollywood musical into his life story.

But he has much to be proud of. Let him remind you of his songs in this engaging show.

Alastair Muir

Sammy Cahn

On an earlier visit to London he totally hogged the stage. This time round he has three young singers to give him some rest, but they have to battle for their spots: Mr Cahn still commands most attention.

The stories pour out of him. "And then the phone rang," he begins and is off with a humorous reverie on how he wrote "Teach Me Tonight" or "Thoroughly Modern Millie." He worked with all the best composers, notably Johnny van Heusen, and for all the big stars, notably Frank Sinatra, whom he almost claims as his creation. If there is a curiously mechanical feel to some of his lyrics, especially in songs like "Love and Marriage" and "All the Way," there are also some humdingers, especially "I Should Care" and "Saturday Night is the Loneliest Night of the Week."

Mr Cahn is as he looks — the Jewish boy from Brooklyn with the chutzpah to take on the mighty. He likes to reduce his success to the cash box but he has a style which makes him a very beguiling host. Anyone with but a fleeting interest in the idiosyncracies of Hollywood moguls or with the writing of popular songs should take advantage of Mr Cahn's brief visit. With Peter Daniels as a straight feed at the piano and the support of Leola Jiles, Anne Tofflemire and Vincent Pirillo, Mr Cahn provides an undemanding, escapist interlude in good natured egomania.

Summer pleasures in Tuscany

In recent years there has been a remarkable proliferation of festivals throughout Italy, especially in Tuscany, where every medium-sized city (and a number of smaller towns) devise some kind of programme of entertainment for the summer. It is not hard usually for the municipal authorities to find a picturesque castle, a handsome square, or even a refurbished theatre to serve as container for the events; and it seems almost as easy to persuade a half-dozen star *performers to lend lustre to the* calendar. There is a certain sameness about some of these festivals (the eminent and sociable flautist Severino Gazzelloni is, as the Italians say, omnispresent as parsley); but there are also a number that show originality and care.

In Montalcino, for example, there is a renewed and inventive *Teatro/87*, a series of theatrical presentations of exceptional interest. In the spacious, impressive fortress that dominates the charming hill town (otherwise famous for its wines, including the superb — and not cheap — Brunello), last week a young company, the "Minotauro," staged the world premiere of a one-act play by Marguerite Yourcenar, *Le Dialogue dans le marécage*, written in 1929 when the author was in her early twenties. Sensitively translated into Italian by Luca Coppola, the young director who also conceived the taut, effective staging, the 50-minute text hinges on a Tuscan subject, the segregatiton of Pia de' Tolomei by her jealous husband (in Dante, Pia tells that "Siena made me; Maremma unmade me"). Mostly the dialogue is a reflection, a debate on jealously, remorse, love. Devoted to this elusive, evocative play, Coppola kept his small cast under welcome control: a tense, but understated performance in which Patrizia Zappa Mulas, as Pia, and Piero Di Iorio, as her husband, were excellent, and the young Paolo Bernardi was an affecting young monk. The bare walls and louring turrets of the fortress offered an ideal setting, and Coppola lighted them hauntingly.

> A picturesque castle, a handsome square or a refurbished theatre makes a perfect setting for a local festival, at which star performers sometimes lend their lustre to the proceedings.

In the less well known Casentino area of Tuscany, in the hills between Arezzo and Florence, the little town of Stia also sponsors a summer of music. Actually, Stia's Studio Lirico is a school, a regimen of master classes for aspiring opera singers. The students—and their instructors—then form the core of the town's Festa musicale. Among the concerts and recitals this year there was a staging of *Amor soldato*, a rarely-heard comic work by the 18th century Italian composer Antonio Saacchini.

Obviously, you do not go to a student performance with the same expectation of a big professional theatre; but within its limitations (some of them, obviously, budgetary), the Studio Lirico offered an enjoyable experience. Played enthusiastically by a student orchestra from Leghorn, under Lorenzo Parigi, the Sacchini score indicated its charm and sparkle; and the producer Talmage Fauntleroy kept his committed young cast moving, in a light-hearted, rather busy staging. Among the singers, LeRoy Villanueva displayed a flexible, appealing baritone; Elisabeth Wingfield, the soprano, was lyrical and musical, though the lower part of her voice needs developing; and the clear tenor Richard Greenslade, while he had some pitch trouble, had really admirable Italian enunciation.

Tuscany's somewhat more familiar festivals—Barga, Montepulciano, Batignano—also continue in good working order; I hope to report on some of them within the next few weeks.

William Weaver

Attractions/Soho Poly

Martin Hoyle

The best thing about Tony Marchant's first stage play for three years is designer Michael Taylor's transformation of the claustrophobic basement theatre in Riding House Street into a *convincingly* seedy *black* museum. Seating flanks two of the four walls, but Smith's bride-killing bath, Mrs Crippen's hair, Charles Peace's gun and sundry other intimations of mortality fill the dark space. The sudden incursion of violence when a brick-chucking Jesus-freak smashes a glass case and ends the first half makes a shocking impact.

Very little else does. The story of old Mr Lawson's rundown seaside collection of *homicidiana*, sour-faced Ruth who sells the tickets, and wandering Danny, a DHSS resort-hopper who tries to modernise the museum and attracts Ruth, all to the background of a mysterious murder and public indignation, plods into artificially whipped-up melodrama before toppling into the ludicrous.

The author has recently been writing for television, and his dialogue is that improbably articulate demotic found in the better soap operas. Sadly this trivialises themes of real interest. Lawson's simple concept of good and bad, evil being totally apart, an exhibit in a glass case, contrasts with young Danny's acceptance of modern life as a jungle: "outside there's a great big snuff movie going on." Danny lives, while Lawson is at best a voyeur, even spying on the young couple as they make love on the beach.

The development of the characters is earnest, after the manner of a Radio 4 afternoon play, and ultimately the characters, for all their plastic plausibility, are no more convincing as human beings than the carefully composed photographs of suffering in Sunday supplements are as depictions of real humanity.

The usually reliable Ivor Roberts seems not merely geographically at sea as Lawson, uncertain whether to play him as an ageing reactionary, a good-hearted old simpleton, a liberal psychologist or a dirty old man. Ross Boatman's Danny is too likeable, intelligent and positive for a bed and breakfast drifter who carves up snooker rivals. Saskia Reeves gets away with comparing a night seascape to "black velvet with white frills where the waves fold and break on the shingle . . . I'd like to float out weightless with the tide," in tones reminiscent of Eth Glumm. Brian Stirner directs fluently and strongly, but never quite manages to make us believe there's a real world out there.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 17-23

Theatre

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Immigrant: A Hamilton County Album (Arena): An immigrant in Texas at the turn of the century conveys the warmth and quirkiness of autobiography in Mark Harelik's play based on his grandfather's experiences. Ends Aug 16. (488 3300).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production *shows what can be achieved with* proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Saleroom/Annalena McAfee

A collection of medals conferred on Sir Dighton Probyn, hero of the Indian Mutiny, was bought for £28,600 by the London dealer Dix at Christie's sale yesterday of orders, decorations *and campaign medals*. The same dealer paid £17,600 for a collection of medals bestowed on Admiral Lord Charles Beresford, 1846-1919, once described as "the best known sailor of his day."

A medal of more recent vintage the George Medal Pair awarded to Able Seaman J. E. Dillon for action in the Falkland Islands campaign, was bought for £2,200 by Mr William Graham, a private collector from Bournemouth. Christie's waived its commission on the sale and Mr Graham donated an extra £500 to Mr Dillon, who was selling his medals for financial reasons. The sale made £163,955 with only 3 per cent unsold.

The Japanese department store Seibu successfully bid for the top lot in Sotheby's sale yesterday of Works of Art and Equipment relating to golf, cricket and other games. The store paid £8,800 for William G. Mackenzie's portrait "Old Tom Morriss," dated 1904. A long-nosed driver golf club, circa 1840, was bought for £3,410 by the New York dealers Alexandra Gallery. The gallery paid the same price for another club, a rare and early track iron. The sale realised £90,596 with 19.27 bought in.

Wild bird paintings by Archibald Thorburn fetched good prices at Christie's sale yesterday of English Drawings and Watercolours. Thorburn's watercolour "Grouse on a Hill, Lapwings in the Distance," dated 1898, was bought for £28,600 by an anonymous buyer.

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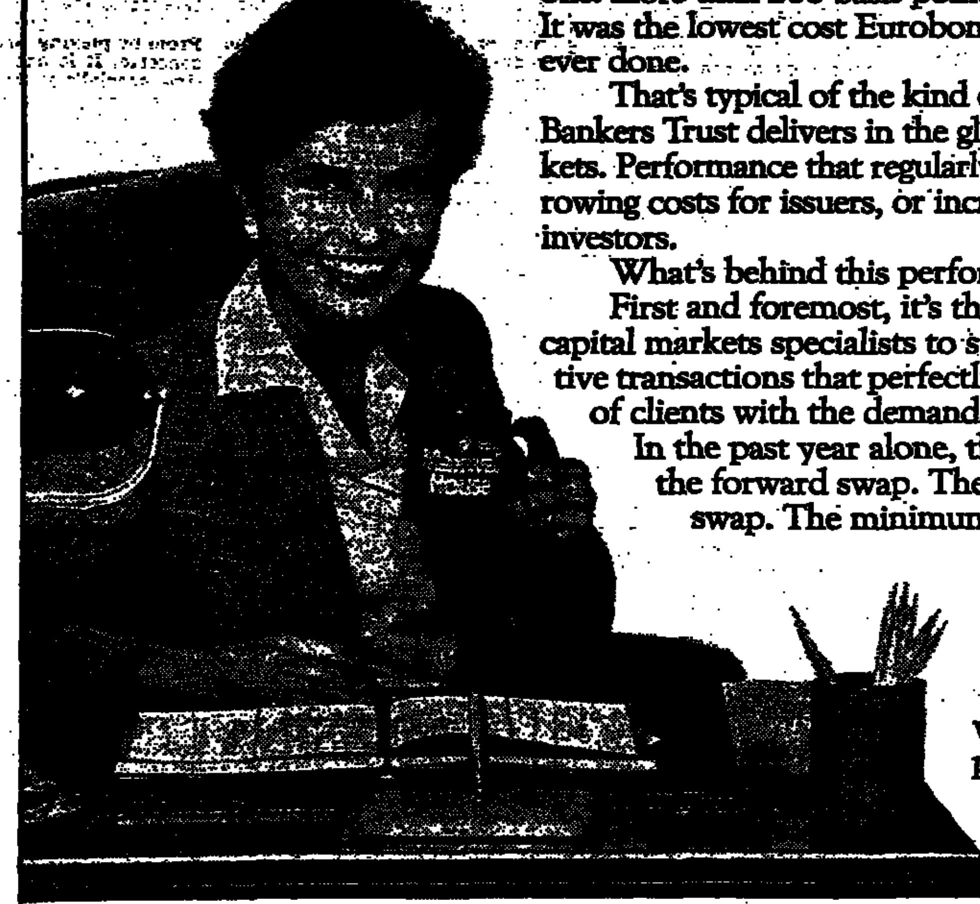

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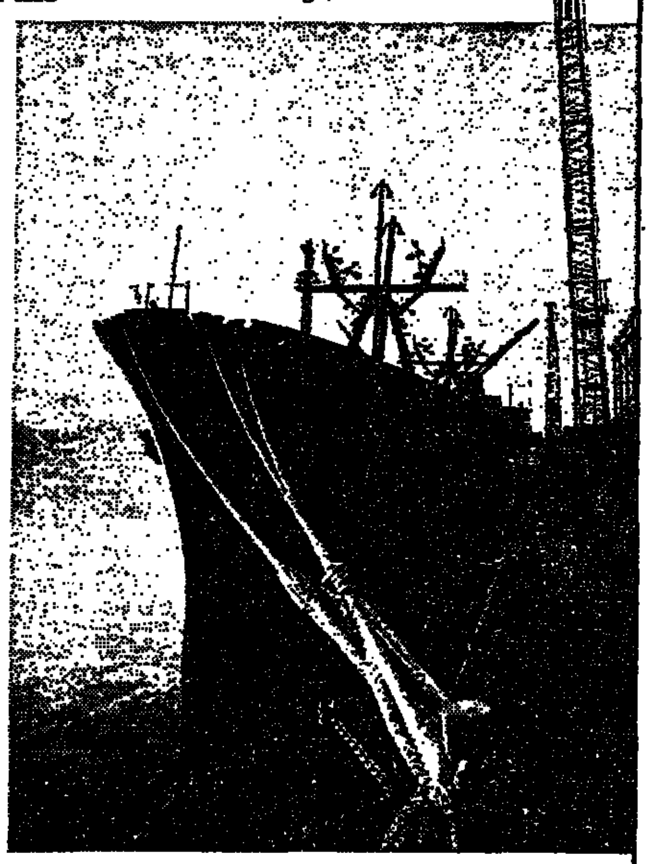

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Wednesday July 22 1987

UN pressure on Iraq

THE RESOLUTION passed on Monday night by the UN Security Council will probably be seen as opening a new chapter in the history of that organisation.

Not that a resolution calling for a ceasefire is in itself a novelty. But in earlier conflicts, for instance the Arab-Israeli wars of 1967 and 1973, when the Security Council passed such a resolution it did so because the great powers knew that their respective clients either actively wanted a ceasefire, or were in no position to refuse one; whereas in the case of previous resolutions on the Iran-Iraq war they knew that the call for a ceasefire would be ignored, but had no serious intention of doing anything about it.

In the present case, however, the Council not only implicitly anticipates non-compliance but explicitly undertakes "to meet again as necessary to consider further steps to ensure compliance." In other words, it acknowledges its own responsibility to do something about such a flagrant and persistent breach of international order as a war between two UN member-states which has now lasted nearly seven years, causing a million or more deaths and incalculable human and economic damage.

Mandatory embargo

What can it do? On paper, as set out in Chapter VII of the UN Charter, its powers of "enforcement" are virtually unlimited, extending even to military action by armed forces levied from the member states

No one is thinking in those terms at the moment, however. In the present case the "further step" which the Council would most probably consider in the first instance would be a mandatory embargo on arms supplies to whichever of the parties refuses to comply.

Since Iran has already rejected the resolution it might seem logical to proceed to an embargo against Iran without further delay, and the Western powers would be happy enough to do this. But neither the Russians nor the Chinese are in such a hurry. They point out that the resolution "requests the Secretary-General to make the necessary arrangements in consultation with the parties and to submit a report thereon to the Security Council". They argue that he should be given plenty of time to do this — although, since that request apparently refers to, another request to despatch UN observers "to verify, confirm and supervise the ceasefire and withdrawal", one could equally well argue that it is rendered inoperative by Iran's flat refusal either to cease fire or to withdraw.

Urging restraints

As each permanent member has a veto, the Council can only proceed at the pace of the slowest; and, if only for that reason, it seems short-sighted of the Americans to have so hastily rejected Mr Gorbachev's offer of bilateral.

This will be a trying period for Iraq, which is more than anxious to co-operate with the Council in bringing the war to an end, and can be expected to argue that effective pressures should be put on Iran to do likewise as soon as possible.

But Iraq's friends and supporters will have to urge her to show patience and restraint, and to use force only in self-defence so as to give the Secretary-General the optimum conditions in which to try and bring the Iranians round.

Specifically, Iraq must be dissuaded from seeking to continue the war against neutral and Iranian shipping in the Gulf. In this area Iran has consistently advocated a ceasefire, and as recently as the week before last the speaker of Iran's parliament, Hojatoleslam Hashemi-Rafsanjani, said quite explicitly that Iran would not attack any ship, with or without a US flag, "if Iraq stops mischief and does not attack our ships."

Of course Iraq will ask why Iran should be allowed the luxury of continuing the war where it likes (on land) and not where it does not like (on water). But Iraq is not well placed to make conditions. She has done well to engage the sympathy of all the great powers, and indeed of the UN as a whole, especially given that she started the war in the first place. If by persisting in naval attacks she now provokes Iran to retaliate against American-flagged ships, she should not expect that sympathy to continue.

Over-heated imaginations

THE SHARP reaction in the London market to the latest figures for private sector borrowing suggests rather more about the state of the market than that of the economy. The heady rise in financial assets up to the end of last week had taken prices into vulnerable territory, and almost any signal might have provoked profit-taking. There may well be further nerves on any weakness in the trade figures due to be published later today, though these will be still less informative about underlying trends. Ministers may nevertheless find this is a slightly nerve-wracking climate for their first major economic Cabinet, a preliminary bout in the public spending battle, tomorrow.

There is somewhat less in the borrowing and consumer spending figures than meets the eye, although both have exceeded preliminary market estimates. Private sector borrowing has been inflated not only by the unusual surplus of the public sector (a simple cash transfer by way of privatisation), but by a growing banking share of the mortgage market, and rising demand from the financial intermediaries.

Prudential worries

In other words, the borrowing which has scared the market is partly generated within the market. There are good reasons for prudential worries about house price inflation (as the Royal Institute of Chartered Surveyors pointed out quite sharply this week), about the chaotic state of settlements in the stock market, and about the fact that securities houses are now beginning to borrow money to speculate on their own account.

For these reasons, a shakeout in the market is on the whole welcome. It should cool the enthusiasm of the over-bullish among the market professionals, and may slightly dampen consumer credit demand. This may have been encouraged by what economists call the wealth effect, especially since this has been officially endorsed by the Chancellor, who argued that consumer borrowing was only rising in the wake of personal wealth.

There are reasons for being calm about credit growth, but the over-heated state of the asset market is not one of them The strongest is simply that consumer spending is not actually being inflated by borrowing. Even the much-remarked figures for last month show a year-on-year growth almost exactly in line with the rise in incomes

The growth of credit reflects not reckless spending, but a combination of imbalances within the private sector (broadly, those with young families borrow, while those nearer to retirement save) and the use of borrowing to finance portfolio positions. As with the professionals, this borrowing may be discouraged by the market's own reaction to the figures.

In the background, however, this over-heated reaction reflects deeper-lying concerns. The British always seem to be suspicious of any figures which suggest that the economy is performing well, and it may well be true that the current growth rate is unsustainable. This is perfectly normal following a sluggish year, and some past cyclical recoveries have been a good deal faster; but there is every reason to apply normal caution to projections for 1988.

There have also been worries about capacity constraints on output, which have virtually no evidence to support them outside one or two continuous process industries: and more justified concerns about the rise in incomes which is making home demand so buoyant.

Shift workers

At a time when some industries are beginning to turn to shift working to get more output from their existing plant, they may be more than usually willing to concede demands for productivity-related pay increases. Meanwhile the rise in house prices has already provoked some large claims for regional weightings.

All this suggests that the Treasury will be more than usually determined to resist public spending demands; 1988 may well be a year when the rise in revenues should be put to reduce the borrowing requirement below its planned value, even though the Chancellor has said that as an average, this is perfectly acceptable. The Cabinet should also be suspicious of any tax or rating reform proposals which are thought likely to inflame housing demand still further. But there is no justification, at this stage, for catching any feeling of panic from the markets.

BRITAIN'S TRADES UNION CONGRESS

Less policy, more action

By Philip Bassett, Labour Editor

WHEN NORMAN WILLIS took over as general secretary of the Trades Union Congress three years ago, he put a plaintive question to his staff: isn't there *anything* on which the TUC doesn't have a policy? Not only did he get the answer no — he got a strong sense that the TUC could not really understand why he was asking the question.

Today the TUC general council meets for its first formal consideration of radical proposals put forward last week by Mr Willis for a new direction for the TUC and its 87 affiliated unions. These emphasise membership recruitment and trade union organisation and suggest a move away from policy to practice.

The TUC excels at policy formulation. It is less good at putting that policy into action. Classically, the TUC's raison d'etre has been straightforward: gathering up the hugely disparate strands of thought, interest and activity of its affiliates into a cohesive whole, before presenting that synthesis back to its unions, and then to the Labour Party and the government of the day.

Over the last eight years, that role has become increasingly unrealistic. The unions, hard-pressed by the twin demands of declining membership and more aggressive employers, have become less able to be interested in a common approach. The Conservative government is at best supremely indifferent to the unions' cause and has cut their role in Whitehall—the recent downgrading of the union-industry meetings with Government in the forum of the National Economic Development Council is only the most recent and public example of the process.

Even some leaders of the Labour Party, long-grown child of the unions, want a quieter relationship.

Individually, many of the TUC's constituent unions have been making the changes they feel are necessary to try to cope with the dramatically-altered circumstances in which they are operating: not just the radically *different political climate*, but a remapped labour market and accelerating technological advance.

On the unions' political right, for instance, the EEPTU electricians are still stirring controversy with their response to change—the strike-free, single-union deals, often with foreign employers, mainly on new, greenfield, sites. On the left, the TGWU transport workers are trying to forge a different form of unionism to organise temporary and part-time workers long ignored by the unions. And in the centre, the GMB general union is attempting to draw elements from both these *approaches — and others on* women, on service industries, on non-union areas—in to a new, coherent whole and provide a model for trade unionism for the rest of the century.

But in all this, where has the unions' national centre, the TUC, been? Taken at face value, its now little-noticed endless stream of policy papers suggests that it is still a vital, cutting force with something to say. Its harshest critics—among those who bother to consider it at all—would charge that it is lost, floundering, run by a man whom, according to The Guardian last week is "widely dismissed as an amiable buffoon."

Inevitably, there is truth in both these views. Much of the TUC's internal work is of considerable quality, but it is little noticed even within many of the unions, where TUC affairs are regarded as the personal fiefdom of the general secretary. Few union officers — let alone the members—ever see *most of the TUC's material.* The TUC has made a creditable attempt to remedy this by publishing its own Bulletin for union officials and activists.

And yet, there is another side to the argument. If the TUC were as valueless as some of its critics suggest, it is hard to see how it could even have produced an initiative of such widely-acknowledged quality, interest and significance as that being debated at the General Council today or the series of speeches by Mr Willis which have led up to the meeting.

Though he *is* jocular, Mr Willis has many strengths too; most notably, a real ability to get on with people. Though it is an asset not much appreciated, it has been vital in helping him fight some of the TUC's battles since he took office.

There is also a team around him. While Mr Ken Graham, who retired last week as his deputy, will be widely missed, his successor, Mr John Monks, *is someone of clear ability who* has been closely involved in helping shape Mr Willis's initiative. Mr Roy Jackson, who could have had the deputy's job had he wanted it, is striving manfully to computerise the TUC's headquarters and operating methods. Mr David Lea and Mr Bill Callaghan are acute economists, and Mr Brendan Barber, currently information head, is more than equal to his task of stepping into Mr Monks's shoes as head of organisation.

In spite of these individual talents, however, the charge that the TUC has a lack of *direction has some foundation.* As the years of Conservative government have progressed, the TUC's position as a surrogate arm of a Labour government in waiting has looked increasingly absurd, pumping out documents on macro-economic policy to watch them disappear into the ether. The Labour Party has also seemed less and less keen to be tied to the output of the TUC-*Labour Party* liaison committee, the key-political-union corporatist state body of the 1970s.

For the TUC, that hurts—but it can probably survive the hurt over the next four years as it has done over the last eight. What has become more significant is the swelling mound of dissatisfaction which is not survivable—among its own union affiliates.

Earlier this year, leaders of one of the TUC's largest unions launched an unprecedented critique of the TUC's finances, charging it with unsound management and spending well *beyond the tightened financial* circumstances of most of its member unions.

The TUC was able to circumvent much of this criticism, partly because it had already started its own financial review aimed at cutting costs, and partly because it was able to challenge successfully some of the accounting standards on which the Ucatt construction union report was based. Even so, the gloves came off at that point and member unions started to look hard at what the TUC was doing with its £5.4m income from the unions.

The context of their thinking was crucial. Parts of the TUC may have been locked into 1970s ways of working, but now union leaders on its General Council predominantly are not. Of the 48 current members of the council, 40 have never served on it under anything other than a Thatcher government.

Its products have been correspondingly sharp-edged. Some TUC leaders are now all but openly critical of the way the TUC conducts its business, especially the way it has to meet the paper-voracious policy demands of the 31 committees (excluding the general council), most of which meet monthly.

Some are open. Mr John Edmonds, general secretary of the GMB general union, which is putting a resolution to the TUC's September Congress calling for the TUC to move away from the preparation and presentation of detailed economic submissions, says: "The Government will not listen to us, and so we should not waste *our time banging on a closed* door.

"It is no longer worthwhile for the TUC to produce massive volumes of economic argument, which are only ignored and dumped into the Whitehall shredding machine."

Such points are not new. TUC leaders know full well the impact that its current work is having on its general standing. This is having an effect internally, too. Morale among staff is said to be low. A few weeks ago, some took short-lived industrial action over staffing levels. Pay, even after a recent 3.8 per cent *increase, is not high*: at a starting salary of a little over £12,200, the rate for (usually graduate) TUC policy assistants is well below that of comparable jobs in the City.

Discontented staff might well be rejuvenated if today's proposals are put into action. What Mr Willis is trying to do is carve out a new role for the TUC by proposing it plays a central role in the key area of union recruitment: mounting and governing TUC and union membership drives in non-union areas such as Milton Keynes, Bracknell and Basingstoke, delineating "designated organising areas" to give individual unions a clear run at unionising non-union companies, setting up a special TUC organising fund to help them do it, and expanding union services even to the point of considering a special unions' credit card.

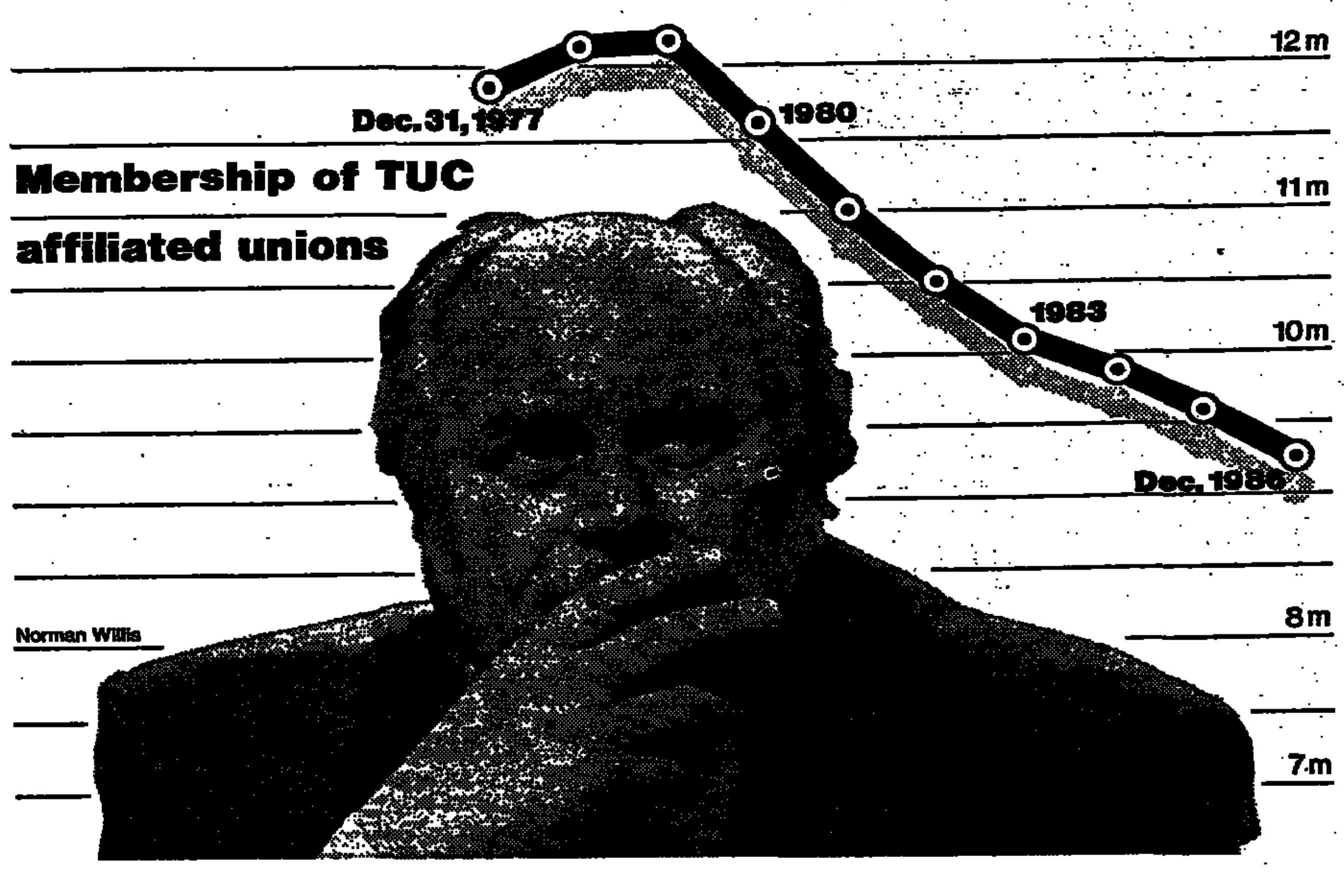
What is already clear is that Mr Willis will not have a clear run at change. His proposals attempt to come to terms with the increasingly difficult inter-union problem of single-union deals. The TUC's proposed approach—offering the carrot of designated areas, and money from the special fund providing any planned agreements by unions are not "sweetheart" deals—is now clouded by a more robust line from the TGWU.

The transport workers want a year-long review to make proposals for banning the EETPU's strike-free deals. For its part, the EETPU is putting forward surprisingly woolly and long-term ideas for one global union. In a separate motion, the GMB is carrying the torch of Mr Willis' plan to Congress.

What is significant about this is that the TUC and its unions are moving from policy to practice — responding to the challenge of change. On the face of it, the proposals from the TUC and the GMB look the most far-reaching, because they centre on the most pressing of the unions' problems: the sheer extent of non-unionism in the UK today.

Even as recently as the Trades Union Congress last September, the TUC—though it put on its best face in the hope of advancing a Labour government which never came—had little to say to the non-union majority, because it had barely recognised it.

Now it has. Whether its proposals will win round its constituent unions, many of which have real *difficulties* with some of the moves the TUC is advocating, is open to question. Whether, even if it does, it will be enough for those who really matter—the employees and employers in industry and services—is a much harder question.



Membership of the 10 largest unions

	1986	1985	Change	Change %
TGWU	1,377,944	1,434,005	− 56,061	− 3.9
AEU	857,559	974,904	−117,345	−12.0
GMB	814,084	839,920	− 25,836	− 3.1
Nalgo	750,430	752,131	− 1,701	− 0.2
Nupe	657,633	663,776	− 6,143	− 0.9
Astms	390,000	390,000	—	—
Usdaw	381,984	385,455	− 3,471	− 1.0
EETPU	336,155	347,635	− 11,480	− 3.3
Ucatt	249,485	248,693	+ 792	+ 0.3
Tass	241,000	251,254	− 10,254	− 4.1

Source: TUC

Men and Matters

Harrison down under

Is Garnet Harrison turning the tables on the Antipodeans? The 35-year-old managing director of Tyndall denies any aspiration to emulate the Ron Brierleys and Robert Holmes à Courts of this world in reverse—but the £214m agreed takeover of Clayton Robard, the Australian financial services group, will surely set them thinking down under.

Brought up in Manchester and educated at a local grammar school, he started his working life with Charlton Seal, the Manchester stockbrokers. He achieved early distinction by becoming the youngest ever member of the Stock Exchange at the age of 21 and three months.

In 1979, at the still tender age of 27, he stood as the Tory candidate for Harold Wilson's Huyton constituency in Liverpool. He polled 20,000 votes and reduced the former premier's majority by 15,000 to just 5,000.

He put politics aside when he went to Australia in 1982. From a standing start, he built up Keywest to the point where it had funds of A$900m under management when, four years later, it merged with Koitaki to form Clayton Robard.

The lure of what he describes as "the Thatcher revolution" proved too much and last November, he came back to the UK to run Tyndall. Despite the Australian Labour Party's historic third consecutive victory in recent elections, he is not now averse to spending more time in Antipodean climes. He believes that Bob Hawke is more Thatcherite than Thatcher. And then there is the weather.

"Don't hang about—sell the Industrials and buy copies of Spy Catcher"

Havers hurries

The judges' dinner at the Mansion House last night provided Lord Havers, the new Lord Chancellor, with a chance to state his aims.

And he declared that he wants to be a reforming chancellor. Indeed, as soon as the consultation on the Civil Justice Review is completed he intends to implement it with a speed which, he said, "may surprise or even dismay some of you."

Lord Lane, the Lord Chief Justice, lost no time picking up the gauntlet when he spoke.

There was no need to emasculate the High Court and the circuit organisation — "which is what the Civil Justice Review Paper bids fair to do," he said. In his view the only thing necessary was to build more law courts in the Strand, appoint more High Court judges, and let them bring the organisation to the level achieved by the commercial court. "There is no need to alter the whole system," he insisted.

And he reminded Havers that Lord Halsbury, one of his predecessors, who also wanted to make "fundamental and unwelcome alterations to the circuit system" eventually gave up the idea after receiving a "polite but trenchant" letter from the then Chief Justice.

Is it possible that a similar letter from Lord Lane has been mislaid by Havers' civil servants.

Sound solution

A typical Japanese face saving compromise has been found for the problem of replacing Shoichi Saba as chairman of the Electronic Industries Association of Japan (EIAJ). Saba was obliged to stand down after resigning as chairman of Toshiba in the wake of the furore over a Toshiba subsidiary's sales of sophisticated machine tools to the Soviet Union.

The president of Hitachi, Katsuhige Mita, was in line to succeed Saba, but not until May, 1988. The EIAJ governors were worried that if they elected him immediately and allowed him to take over the rest of Saba's term plus his own two year stint, that might be construed as a censure of Toshiba.

Yesterday, they did elect Mita, but only for a normal two year term effective immediately. And Saba was appointed an adviser to the board for one year.

Here and there

As takeover rumours continue to swirl around Morgan Grenfell (this week it was Lloyds Bank and/or Shearson Lehman) at least one person sees no urgency in them: John Craven, Morgan's new chief executive.

After only 10 weeks in the job, Craven has taken off for a two week holiday in Canada, a country where he once worked and whose passport he carries (he has dual nationality).

I was unable to establish whether he has gone on one of those fishing trips where they fly you to remote lakes for a week of total peace. But I suspect that he cannot be far from a telephone.

In his absence, the man holding the fort is Christopher Whittington, who got the job of chief operating officer in Craven's first big management reshuffle three weeks ago.

Second post

The Post Office did not deliver at least one shareholder's proxy form and admission card for Whitbread's annual meeting until after the meeting had ended yesterday. Just coincidence, I suppose, that item three on the agenda was the re-election to the board of Post Office chairman, Sir Ronald Dearing.

In the act

"Ollymania" finally spread to Hollywood this week, when a group calling themselves "environmental artists" used sheets of black plastic and parachute material to alter the famous "Hollywood" sign to "Ollywood."

"The American public has embraced Oliver North as a national hero, and we are simply reflecting the public sentiment," said a member of the group.

Others suggested that perhaps the altered sign, which stands high in the hills above the movie capital, reflected admiration for the lieutenant colonel's dramatic talents.

Basic error

I mentioned the other day that the technological buzz words of the communications and computer industries were causing some confusion. A reader now writes to say that, for many years, he thought MS/DOS was a type of disinfectant that not only killed "all known germs" but software bugs as well.

Observer

Lord Cockfield on the European Commission's proposals for reform of indirect taxation

An essential step in a long march

OUR OBJECTIVE is the economic revitalisation of Europe. We have been losing ground remorselessly compared with our major competitors, in the US, in Japan, in the emerging industrial countries of the Far East. In the European Community, 16m people are unemployed, 3m in the UK alone.

Over the past few years Britain has shown an encouraging rate of growth, but from a very low base. The other major economies of the Community can barely manage a growth rate of 2 per cent. With this performance there is little hope of reducing unemployment: little hope that Europe will be able to hold its own with its major competitors, let alone catch up the lost ground.

One of the major reasons for this indifferent performance is the continued fragmentation of the Community market. Instead of acting as a single economic unit of 320m people—almost as big as the US and Japan combined—we still act essentially as a dozen separate markets, a dozen individual economies, divided from one another by different laws, regulations, and currencies, and often conflicting economic policies.

It will take many years to weld Europe into a single great economy. But there is one thing we can do, and do within a reasonable span of time. That is to create a single great market in Europe—described in the Single European Act as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured"—and to achieve it by 1992. There is nothing new about this: it was the original intention of the Treaty of Rome 30 years ago and has been repeatedly reaffirmed by the Heads of Government. What is new is the detailed planning in the white paper of 1985, the determination to do the job "completely and effectively" and to do it by 1992; and its incorporation in the Single Act which has been ratified in national legislation in all 12 member states.

The "approximation of indirect taxation" is an essential part of this programme. Significant differences in indirect taxation are one of the principal reasons for the maintenance of frontier controls. They obstruct the free movement of goods and of people, create distortions of competition and deflections of trade. There is nothing new about the approximation of indirect taxation: it appears in the Treaty of Rome; in innumerable directives and decisions by the Council of Ministers; in successive declarations by the Heads of Government; and in the Single European Act.

The Heads of Government meeting at Milan in 1985 delegated the task of devising the necessary measures to the Council of Finance Ministers. The Ministers delegated the task to the Commission. The Commission has now produced the proposals. The wave of shock—in some quarters bordering on hysteria—which has greeted these proposals reflects a sense of astonishment that anyone should do what they were asked to do in the political field. This has been compounded by the fact that most of those most vigorous in their criticism have stopped short of actually reading the proposals.

The Commission has based its approach on two principles: that of "harmonisation," our proposals simply reflecting the common practice of the member states; and the principle that no more than necessary will be done if there is to be no serious deflection of trade once the frontiers are removed. This is why we talk of "approximation" rather than "harmonisation."

There has been considerable criticism of what is alleged to be an attempt by the Commission to abolish zero rates of VAT in the UK on items of basic necessity. This is completely to misread both the situation and the proposals.

If 10 member states tax these items at a reduced rate, as they now do, then any process of "harmonisation" must start from that point. But to avoid any misunderstanding we inserted the words: "It is important to read this list of items proposed to be charged at a reduced rate in conjunction with what is said . . . below about zero rates." As an added precaution these words were printed in heavy type; but to little avail.

The fact that some countries would face considerable difficulties was stressed in the 1985 white paper and repeated in the present proposals. We have said very clearly that derogations might be needed to meet these problems; and that this was likely to be of particular importance in the case of zero rating. A "derogation" is simply an exception from the general rule; it is important to bear in mind that zero rates in the UK are themselves a derogation, and that under existing Community law, adopted in 1977, this derogation is temporary.

We considered whether we should take the initiative and propose such derogations. There are a number of reasons why we did not. The UK is not the only country affected—Ireland makes extensive use of zero rates and many other countries exempt items from tax in highly specific if limited cases. Clearly the Commission could not, and indeed ought not, to decide what the reaction of these countries would be. Also every derogation carries a price—at the extreme it may require the maintenance of frontier controls—and it is for the member state to assess that price and decide where the balance of advantage lies. Other member states, too, may be affected by resulting distortions of competition or deflections of trade; if you are a member of a community, you have a duty to fellow members and cannot ignore their interests.

What we have suggested, therefore, is that member states study the proposals and consider what difficulties they present. The Commission would then discuss derogations which member states in difficulty might feel they need. The matter would be taken forward from that point in the usual Community framework. But this dialogue cannot begin until the Commission's proposals have been studied and evaluated by all concerned. This is the way the Community handles its problems. We have to stand together to find Community solutions to Community problems.

The anxieties and fears which have been aroused over zero rating have been much overdone. But far more is involved than that. The people of Europe have embarked on the long march to European unity—not simply from idealism but from hard economic necessity. There is no way that process can be stopped. The question the UK has to face—pointed up not just by this issue, but more importantly by the disagreements between the UK and the other 11 member states at the recent Brussels summit—is whether Britain wishes to participate in this historic move forward, or to remain an offshore island relying on its own endeavours to meet the challenges that face it.

The first objective of the Treaty of Rome, which established the Community, was the preservation of peace in Europe. In that it succeeded. United, Europe can face and succeed in meeting the challenges of the futre, both economic and political. He would be a bold man who claimed that Britain on its own could do as much.

The author is vice-president of the European Commission with responsibility for the internal market.

The yuppie life comes to Portugal

Diana Smith in Lisbon on the country's struggle to shake off its reputation as the poor relation of Europe

ON JANUARY 1 1986 Portugal joined the European Community.

On July 18, 1987 voters gave Prof Anibal Cavaco Silva and his Social Democrat Party (PSD) the first overall majority ever won in a democratically-conducted Portuguese election. The two events are closely related.

EC membership raised the economic and political expectations of the Portuguese people. After nearly 90 years as Europe's poor relation—bogged down in economic backwardness and either querulous political instability or repressive right-wing rule—this nation of 10m people was fed up with timidly knocking at the door of the 20th century.

After generations of apologising for their shortcomings, the Portuguese were ready to assert their self-confidence.

Anibal Cavaco Silva embodies that self-confidence. He stands for energy and unshakeable belief in individual capacity. He is the antithesis of the "*miserabilismo Portugues*"—Portuguese wretchedness—the view so long shared by Portuguese that their country is a chronic catastrophe.

Before completion of the long, difficult and often discouraging negotiations to join the EC, the upbeat message of Prof Cavaco Silva—or "O Cavaco" as he is widely known—might have sounded like whistling in the dark. Most Portuguese doubted that they would be accepted into the Community. "We don't have what it takes" was the frequent refrain.

Their sense of national identity was shaky. The 1974 military coup ended a colonial empire that had brought prosperity to individuals and a sense of national importance. But even before the coup, the empire had ceased to offer international prestige: Portugal was vilified abroad for an ugly 13-year colonial war in Africa. Hopes raised by the 1974 birth of democracy paled as 16 successive governments changed hands and inflation, overspending, under-production and overborrowing led to constant financial crises.

By the time a little-known 46-year-old central banker, Anibal Cavaco Silva, made a bid for the leadership of the PSD in the spring of 1985, Portugal was ripe for his message of discipline and development.

The rise of Cavaco coincided with the culmination of talks on EC accession. But despite the successful outcome of these talks, the coalition of Socialists and Social Democrats which pursued them had degenerated into endless squabbling.

The leader of the coalition, Mr Mario Soares, was under pressure because of the fierce austerity plan he had launched to tackle soaring inflation and balance of payments deficits. Few people believed his promise of better times with EC membership.

By May 1985, Prof Cavaco had had enough of what he saw as unnecessarily harsh austerity, and timewasting bickering both between the coalition partners, and within the PSD, a party which spans the political spectrum from centre-left through liberal to conservative.

A tall, tough talker who takes no backchat, he yanked the PSD out of a coalition that in his view was going nowhere

The breach in the coalition meant yet another snap election, the fourth since 1976. But the bold move to dissociate the PSD from Mr Soares' austerity paid off: after a campaign starring Cavaco and his message of economic growth and reform, the PSD took 30 per cent of the vote in October, 1985,

Cavaco and a team of mostly young men—many of them a blend of technocrat and politician like their leader—formed a minority government that behaved as briskly as if it commanded a majority. It found little difficulty in baiting an opposition that was large but split between Socialists (21 per cent), the maverick and rather muddled PRD of ex-President Gen Antonio Eanes (18 per cent), hardline Communists (15.5 per cent) and Christian Democrats (10 per cent). Stimulating the stock market through tax concessions, nagging businessmen to invest, and using the providential tools of EC funds, a weak dollar and cheaper oil to boost growth (4.5 per cent in 1986) and damp down inflation, the government gained a reputation for competence. And more importantly, potential voters came to believe it had the drive to bring about real economic changes.

The opposition strove to convince the public that the Cavaco machine had dents: renowned Socialist and PRD economists trumpeted errors in the Social Democrats' macroeconomic forecasts.

It made no difference. The public cared only that wages were rising and prices dropping after a long stretch of the opposite. Cavaco proved especially popular with young businessmen, bankers and university graduates who considered him synonymous with opportunity, high salaries, and the chance to exploit a stock market beginning to take off after a decade of somnolence. Like yuppies the world over, they wanted the opportunity to succeed by drive and merit alone.

The local version of the "yuppie" phenomenon is one of the most dramatic side-effects of EC membership: a radical change from a past when careerism was for foreigners and muddling along was the national target. Anibal Cavaco Silva is largely responsible for this: he is an unabashedly self-made man. Son of a petrol station attendant, he read economics for a PhD at the University of York, and made it to the peak of politics in a country where bourgeois lawyers from comfortable backgrounds have usually dominated the main political circuits.

But while the shy, tense, ambitious economist at the head of the PSD chose his timing deftly to make his great leap forward—offering disciplined drive where there was muddle and individual opportunity where there was bureaucratic logjam—the same cannot be said of Gen Eanes and the PRD.

They resolved to topple the minority government through a censure motion backed by the they chose their moment poorly. Socialists and Communists.

Cavaco's fury at being toppled by a left which offered no clear alternative, echoed the anger of a public which demanded an end to such whimsical action. Majority rule, now, became the slogan.

On Sunday voters crossed party frontiers and gave the PSD and Prof Cavaco Silva the largest mandate any democratic party has ever had in Portugal. Nearly 2.9m people — just under 51 per cent of the electorate — gave him 150 seats and a guarantee of four years in power.

During an election night which was noisy but not vindictive, cheerful but not arrogant, one of my neighbours voiced the new mood in Portugal: "Ai, Madame," he said, "now we can start being real Europeans and being taken seriously by Europe, can't we?"

The answer to that question will lie with the PSD.

Anibal Cavaco Silva, the antithesis of the "miserabilismo portugues"—the view among Portuguese that their country is a chronic catastrophe. He is pictured here on the night of his historic election victory.

Letters to the Editor

Agriculture reform

From Mr C. Smedley

Sir,—It is typical of a Common Market commissioner to reject the US proposals for the reform of world agriculture (July 20).

Even before Britain joined the Common Market, it was clear that the Common Agricultural Policy was designed for the Continental European farmer and not for either the British consumer or the world's agricultural marketplace. The years since our membership have seen the evidence mounting in the form of food mountains, increasing farm subsidies and high food prices, let alone the detrimental effect on many world food producers whose basic industry has been decimated by the dumping of European foodstuffs on the world market.

Mr Andriessen argues that the US proposals, which call for the elimination of production-related subsidies within 10 years, go "too far, too fast."

Although these proposals may be unacceptable to the Continental Europeans, they are close to what is required by the British people. I hope that Mrs Thatcher's support for President Reagan, her concern for the British people and her anger over the EC's budget deficits will lead her and her Minister of Agriculture either to insist such proposals are accepted by the Common Market, or unilaterally to withdraw from the Common Agricultural Policy.

Charles Smedley.
18 Alderbrook Road, SW12.

Strategic myopia

From Mr A. Davies

Sir,—I read with interest and concern Christopher Lorenz's article on "marketing myopia" (July 16), which confirms our worst fears about the lack of marketing strategy in many UK companies.

Unwillingness to face the discipline of marketing analysis and planning is but part of a wider problem. Strategic thinking in many companies has been lacking or inadequate for many years (the fate of the British motor industry is an example) and appears to be due not solely to intellectual laziness, but more generally to lack of a longer term horizon.

Christopher Lorenz's article refers to the search for short-term profits, which may not be helped by pressures from competitive investors, but one factor which should not be under-estimated is the short time that many UK chief executives are in office. This means that they may not be around to enjoy the fruits of their strategies or to be answerable for them.

If UK chief executives were longer in office, as are many of their competitors in Japan and Germany, they would be obliged to generate growing profits over a sustained period of time, forcing them to establish the strategies needed to do so. Given clear and far-reaching corporate strategies, the resultant pressure on the marketing planners would force them to develop robust and effective marketing strategies to underpin the company's ambitions. Where company objectives and strategies do not exist or are not clearly thought through and articulated, it is no surprise that marketing strategies are vague and ineffective.

There is some evidence that appreciation of the need for improved strategic planning is growing. It is to be hoped that this will work through to improve the marketing performance of British companies.

Adrian Davies,
(Chairman),
Strategic Planning Society,
15, Belgrave Square, SW1.

Keeping money in check

From Dr S. D. Dover

Sir,—Your Law report (July 15) confirms what I had been told: that "Not negotiable" means that I cannot give a better title to a cheque than I have received. Either such an endorsement is irrelevant or I can improve the title on a cheque without such an endorsement by passing it on to another party having countersigned it on the back!

S. D. Dover.
17, Heath Hurst Road,
NW3 2RU.

The middle ground lives

From Mr P. Sober

Sir,—I read Barry Riley's article (July 13) on the subject of accountancy firms with considerable interest, in particular the reference to the "steady loss of public company audits by second-line firms. Increasingly, companies are moving to the Big Eight, with their greater prestige and better international connections," and he goes on to say "the middle ground is coming under pressure." So far as my firm is concerned this has not been our experience.

As you will see from the table in the article, my firm has had the second highest growth rate of fees in the last year. We have gained a considerable number of public and major company audits in the last 12 months (some from the Big Eight!) There has been a substantial increase in international referrals. We have also been the third most active reporting accountants in the unlisted securities market and have initiated a number of new services.

We do believe your intimation of our demise is somewhat premature!

Phillip Sober.
8 Baker Street, W1.

Productivity scheme for MPs

From Mr R. Davies

Sir,—Should not MPs be looking to industry for their pay scales rather than to the civil service? After all, it is in the former section that most progress has been made in improving productivity — partly, of course, by performance-related pay.

If MPs were paid a basic salary of the national median wage, it could be topped up by bonuses related to the UK economy: perhaps a doubling of salary if UK gross domestic product growth exceeds 1 per cent in real terms, and further increases if growth is higher.

Hopefully this might encourage everyone to take a more realistic approach to the economy.

Robert Davies,
7 Green Trees Avenue,
Cold Norton, Essex.

Obstacles to cashless pay

From Ms G. Keane

Sir, — The question of methods of wages payment has once more been highlighted by Mr Simon (July 16) Unfortunately, despite the considerable practical advantages of cashless pay, not least the greatly enhanced security, there are also legal and practical difficulties to overcome in moving away from cash payment.

The spread of cashless pay has been hindered by the Truck Acts 1831-1940 which gave manual workers the right to receive their wages in cash, despite any agreement they may have made to the contrary. This anachronistic legislation was repealed by the Wages Act 1986, which came into force on January 1. However, the Act did nothing to facilitate the introduction of modern payment methods. While cashless pay can be introduced unilaterally into contracts for new employees, the agreement of existing employees is generally required for such a change as there is likely to be at least an implied contractual term that the wages be paid in cash.

Recently, I have had experience of an employee who has refused payment by cheque and is insisting on cash. The irony is that if he sues the employer concerned, the outstanding wages will be paid into the appropriate County Court, who will then pay the individual—by cheque!

Such instances are, however, rare. Employers and employees are becoming far more aware of the administrative savings and greater security of cashless pay. Nevertheless, there is still much progress to be made. Approximately 39 per cent of all employees are still paid in cash compared with less than 20 per cent in Holland and Sweden, 10 per cent in France and 5 per cent in West Germany. It is also noteworthy that more than 5m UK workers receiving their wages in cash already have bank accounts.

The savings to employers, estimated in some cases to be as high as 1 per cent of payroll, together with the increased security, would seem to be an overwhelming incentive for employers to tackle and overcome the practical obstacles to the introduction of modern payment systems.

Georgina Keane.
Employment Unit,
Titmuss Sainer & Webb,
2 Serjeants' Inn, EC4.

BAA share offer

From Mr P. G. Dowty

Sir,—I was most disturbed to find on your front page, prior to tender closing date, comment indicating that tenders had already been opened. I hope the SIB takes note and stops this practice which greatly disadvantages the private investor who must rely on the most unreliable postal system to bid. If opened, a potential for leaking commercially sensitive information is created — experience shows that where a "quick buck" is involved, someone will try to succeed. Even your news that an unexpectedly high level of private individual tenders had been received was, or should have been, "inside information," of some use to the professional institutional fund manager.

Tenders should most certainly remain sealed till the close. I expect even the fact that I had bid to be confidential till then.

I am disappointed in BAA and the Government.

P. G. Dowty.
6 Hindhead Close,
Crawley, West Sussex.

FINANCIAL TIMES
Wednesday July 22 1987

K.K. Sharma in New Delhi assesses the dangers facing the Indian Prime Minister

Political storms fail to divert Gandhi

MR RAJIV GANDHI, India's Prime Minister, is dealing with the crisis in the country's politics with the nonchalance of a trained pilot (which he was until his entry into public life) whose aircraft is going through some turbulence. Asked yesterday for his comments on the current scene, he smiled and said unabashedly, "I don't see any problem".

If Mr Gandhi was trying to show that he was firmly in control of events, he was fooling no one. The crisis in the country, and more particularly in the ruling Congress-I Party, has been building up for more than three months, ever since Mr Vishwanath Pratap Singh resigned as Minister of Defence after ordering an inquiry into payoffs allegedly made by Bofors, the Swedish defence contractor, for an Indian contract for howitzers worth $1.4bn.

Events have moved fast since then. Mr Gandhi has been under such strong attack - for protecting his friends, accused of corruption and stashing foreign exchange in Swiss banks and then facing direct charges of corruption himself - that many believe he is tottering. Some observers think that, unless he shows more skill in handling dissent within Congress-I and the growing disillusionment with his own style of leadership, he could soon be dislodged as Prime Minister.

The crisis took a dramatic turn last week when Mr Gandhi summarily dismissed three senior dissidents in the party. No reason was given except that they had indulged in "anti-party activities," but it is widely believed they were expelled because he suspected them of trying to oust him as Prime Minister and as president of Congress-I. As one of those removed, Mr V.C. Shukla, who was a senior minister in Mrs Indira Gandhi's government, asked: "Is it a crime to try to change the leadership?"


Rajiv Gandhi (left) with his former Defence Minister V.P. Singh.

Mr Gandhi's hamfisted attempt to check dissidents in the party infuriated Mr V.P. Singh, who has emerged as his most powerful rival and a possible replacement because of his single-minded campaign against corruption. Mr Singh offered to resign "if it proves embarrassing for the leadership to expel me from Congress-I".

The Prime Minister's response shows just how badly he is floundering. Initially he rejected Mr Singh's offer to resign on the ground that it was "conditional". Then, 48 hours later, he summarily expelled him on the same vague charge of having indulged in "anti-party activities" that was levelled against the three others.

An atmosphere of crisis similar to that in 1975 when fast-moving events led Mrs Gandhi to proclaim emergency rule now prevails in New Delhi. Rival groups are holding rallies. Slogans are being shouted and Mr Gandhi's more sychophantic followers are competing with each other to try to show that the Prime Minister has massive support.

In fact, Mr Gandhi faces the biggest danger of his political career. The main threat comes from allegations of corruption against people both close to him and also directly opposed to him. When parliament begins its monsoon session on Monday, he will be under heavy attack for failing to persuade Bofors to name the people who received bribes and payoffs. The attack will be the more powerful for coming both from the opposition parties and from the expelled dissidents.

The Prime Minister is particularly vulnerable since it is widely believed that Mr Arun Singh, once his close aide, resigned as Minister of State for Defence last week because Mr Gandhi had rejected the Swedish Government's offer to send a delegation to India to find ways to bring out the truth.

The powerful Congress-I party, which has an overwhelming four-fifths majority in parliament, is in any case sharply divided. Dissent has long been festering because of the feeling of many of the senior members that Mr Gandhi behaves arrogantly and with complete disregard for their views.

Now the dissenters have a rallying point: Mr V.P. Singh, whose integrity and incorruptibility is now rated higher than Mr Gandhi's, the Prime Minister having long lost his "Mr Clean" image. Much will depend on how Mr Gandhi and Mr Singh decide to play out their strategies from here. So far, Mr Singh looks the nimbler and least accident-prone of the two.

Mr Singh is planning a countrywide campaign for "mass contact," both on his own and with the help of his opposition parties, although his relations with these parties are very blurred. Since he is not certain how many Congress-I members will join him - Mr Gandhi is likely to be forced to expel a few more - Mr Singh's campaign will be largely outside parliament, as was that of Mrs Gandhi's antagonist, Mr J.P. Narayan, in 1975.

Mr Gandhi, on the other hand, is relying on the support of the large and unwieldy Congress-I parliamentary party. The main reason he will probably succeed is that any major and irreconcilable split in the party, in the face of Mr Singh's campaign could make fresh general elections unavoidable. Congress-I has taken a terrible battering in recent state elections and if that pattern continued it would certainly lose a general election. With half of the present five-year term of parliament still to go, no Congress-I member wants elections at this stage, and the desire to keep their seats and stay in power is a strong incentive for unity.

At the same time, Mr Gandhi is adopting a highly populist stance which is dragging him, against his previous inclination, leftwards.

THE LEX COLUMN

BP taps a rich field

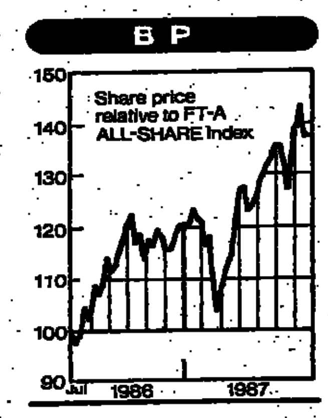
During numerous privatisation campaigns the British Government has frequently indicated to its advisers that it could probably do their job better itself. Now it appears to be putting its money where its mouth is, by - if only for a split second - acting as principal in a £1.5bn bought deal. But the likes of Goldman Sachs and Salomon Brothers do not need to look to their laurels. For the Government is agreeing to pay British Petroleum all the £1.5bn the company requires from a rights issue in October, but will sell on the shares to the public in instalments, over a period of up to 18 months.

This could cost the Government at least £100m in lost interest. It will be interesting to see what sort of fee NM Rothschild (in the Government corner) persuades SG Warburg (acting in the BP interest) to extract from the company in recompense. Doubtless BP will point out that by depressing its up-front receipts from the BP share sale, the Treasury will be strengthening its hand in forthcoming negotiations with the spending ministries.

The institutions would be wrong to complain about receiving their rights through an offer for sale price which is likely to be at a smaller discount than the standard rights issue inducement. The value of receiving their entitlement in partly paid form could alone be equivalent to a discount of about 6 per cent.

BP itself would have liked to have had its rights issue immediately after the acquisition of the Standard Oil minority in May. However the Government felt that this would harm the chances of a good environment for the sale of its own stake, which has grown in value from £4.7bn to £7bn in the four months since it announced its intention to sell. Yet it is no means clear why one share issue of £1.5bn and one of £7bn is less palatable than banging the two together. But the route chosen could be very helpful to BP in its battle to persuade the Government to place at least 20 per cent of its share stake overseas. With the domestic market already hit for the vast majority of the rights issue element, other markets will be that much more necessary to take up the slack.

The sale of new shares will reduce BP's gearing from about 42 per cent to about 33 per cent, and signals the company's desire to be able to make a big acquisition on the run. If it comes to picking the flesh from Texaco, BP does not want to be an undercapitalised vulture.



FKI/Babcock

It is difficult to know whether to celebrate the ingenuity and dynamism of the capital markets for providing FKI Electricals with the means to release Babcock International from its purgatory, or bemoan the fact that those markets had trapped Babcock there in the first place. We are, of course, back in the rating game. And despite the best efforts of Mike Hoffman (new broom turned sacrificial lamb), the combination of high tax charge, conservative accounting, and stubbornly low margins, prevented Babcock achieving the higher rating necessary to grow by acquisition into friendlier margin businesses. At least that heavy investment in updated plant and industrial relations has ensured a pretty decent cash price for Babcock shareholders at 17 times prospective earnings.

Yet, however much the deal is dressed up as a management buy-in, it is difficult to find many good reasons for accepting FKI paper. The management has an excellent five year record in the junior leagues but may be risking an over-stretch, particularly following the recent acquisition of Stone International, and there is not very much in the newdivisional structure that was not in the old. FKI could, it is true, enjoy several benefits that were necessarily denied Babcock. Both the tax charge and overheads would head down and the benefits of acquisition accounting should push up earnings, despite the market's new sensitivity in this area. Nevertheless, the rather strange decision to limit the post-acquisition rights issue to FKI shareholders not only risks dilution for them, but leaves Babcock providing two-thirds of the profits and pocketing only half of the equity. The current prospective rating for the combined group will be hard to sustain once fearful underwriters are no longer in the market, and the many yield-seeking Babcock shareholders must be hoping that a better paper offer may yet emerge from somewhere.

Tyndall/Clayton

These are giant-killing days. While FKI was knocking off Babcock yesterday, little Tyndall Holdings (market capitalisation £97m at 462p) was announcing its own agreed £214m cash reverse bid for Clayton Robard, one of Australia's leading unit trust groups.

Tyndall has clearly been studying WPP's recent successful offer for JWT. There is a roughly similar rights issue, with success-geared sub-underwriting commissions which in this case are three times as big if Tyndall wins than if it loses. And with the help of friendly investment institutions Tyndall has also acquired a stake in its target company to give it comfort that it will be able to cope with the expenses of the bid should an overbidder appear.

There are also important differences, not least that Clayton has agreed terms, and has strong management connections with Tyndall. Moreover the latter's pledged 20 per cent stake in Clayton has mostly been acquired from the Darling family, rather than through the market, and it could have bought more had Australian takeover rules and London Stock Exchange requirements not got in the way.

Tyndall will be content with bare 50 per cent control and wants to retain the Australian listing for Clayton Robard. But the rest of the Darling shares will only take it to 40 per cent; and since it is paying a scant 5 per cent or so premium over the recent market price, other shareholders are unlikely to rush to accept, at any rate while potential counterbidders may be doing their sums.

British engineering group agrees takeover

By Clay Harris in London

BABCOCK INTERNATIONAL, the UK engineering and contracting group which carries one of the most historic names in British industry, yesterday agreed to a £415m ($664m) takeover by FKI Electricals, a much smaller company which has shown an unflagging appetite for acquisitions since it came to the London stock market only five years ago.

FKI Babcock, the new combined group, will have annual sales of £1.3bn and employ more than 30,000 people worldwide. FKI will bring less than one-sixth of each figure to the marriage, which both companies described as a merger.

FKI took the unusual step of declaring that the terms of its offer were final and would not be increased even if another bidder emerged to put forward a higher price.

If the bid succeeds, FKI will trigger a one-for-three rights issue at 182p to raise £94m to reduce the combined group's net borrowings, all of which will come from Babcock.

Mr Tony Gartland, FKI chairman who will become chief executive of the new group, said that Babcock would require rationalisation, with a particular focus on overheads.

He added: "Within a group this size, it is probable that there will be things that it would be more prudent to dispose of. But we don't know what they are." The deal had not been predicated on any specific asset sales.

Lord King, Babcock chairman, made clear, however, that after his company's heavy capital investment during a gap of more than 10 years in UK power station orders, "whoever bought it would have to give us a large slice of tomorrow's profits today." He will be chairman of the combined group.

FKI's emphasis on margins is underlined by its pre-tax profits of £11.3m on turnover of £83.6m in the year to March. Although FKI has subsequently more than doubled the annual sales figure with the agreed takeover last month of Stone International, the ailing systems engineer, the combined total is still dwarfed by Babcock's 1986 sales of £1.2bn, on which it achieved pre-tax profits of £37.1m.

FKI is offering 17 of its shares for every 10 of those in Babcock. With FKI shares losing 15p yesterday to close at 188p, the offer values Babcock shares at 319.6p. There is a 310p cash alternative.

Returning Afrikaner liberals evade right-wing protesters

BY ANTHONY ROBINSON IN JOHANNESBURG

HUNDREDS OF burly, right-wing Afrikaners turned up at Johannesburg's Jan Smuts Airport yesterday to vent their rage against the returning Afrikaner delegation which has spent the last two weeks talking with the banned African National Congress in Dakar and visiting black Africa.

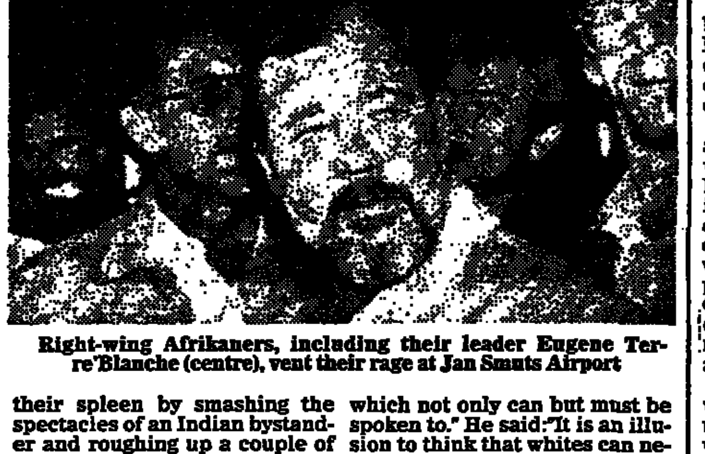
But senior police and airport officials met the delegation and persuaded them to call off their planned press conference and leave by a side exit.

A large police contingent lined up in the arrivals area to prevent clashes between the Afrikaner Resistance Movement (AWB) and delegates, and between the AWB and small groups of students and civil rights organisations who came to applaud.

In the confusion Mr Ernie Stark, dressed in a white coat with a hammer and sickle emblem on the back and representative of an organisation calling itself "Victims Against Terrorism," covered himself and his coat in blood-like tomato ketchup to dramatise his contention that "the ANC is getting away with murder."

AWB supporters around their leader, Mr Eugene Terre'Blanche, meanwhile chanted and yelled "traitors, rubbish, scum" and hooted with derision when it became clear that the delegation would not appear. Mr Terre'Blanche, hoisted on to his supporters' shoulders, promptly called them "cowards who are afraid to look the volk in the eye."

Some of his most extreme supporters, who included a woman with a spray can of black paint "to paint their faces as black as their hearts" and a man who wanted to see the delegates tarred and feathered, vented their spleen by smashing the spectacles of an Indian bystander and roughing up a couple of students.


Right-wing Afrikaners, including their leader Eugene Terre'Blanche (centre), vent their rage at Jan Smuts Airport

Police intervened to arrest some students who incautiously started singing the first bars of the African national anthem, Nkosi Sikelele i'Afrika. The police then lined up and charged television cameramen and photographers standing on the other side of the airport road. After a chase several photographers were arrested. The AWB in the meantime dispersed, apparently without any arrests being made.

Shortly after this slice of South African life, Mr Christo Nel, former leader of the Federated Chambers of Industries Project Free Enterprise and member of the Dakar delegation, gave his assessment of the talks at an impromptu press conference at a nearby hotel.

Recalling that many delegates had initial difficulties adjusting to the reality of the ANC compared to their perceived images of it, Mr Nel said the ANC were not terrorists "but a group which not only can but must be spoken to." He said: "It is an illusion to think that whites can negotiate with blacks without including the ANC."

Praising the analytical and debating skills of the ANC participants, Mr Nel said the ANC was not insisting on a transfer of power from whites to the ANC but a transfer from a minority government to one which represented the majority of people.

It would sit down to negotiate "with anybody who accepts a non-racial democracy," he added. The talks "between South Africans" showed that the ANC "had no illusions about an easy revolution tomorrow and understood the power of the security forces and the danger of white reaction."

On economic policy, he added, "the ANC is in favour of a mixed economy, although the proportions and other details were not explored in depth." The returned delegation would be prepared to speak to the Government or anybody else, including the AWB, about its image.

Fiji told not to declare a republic

By our Foreign Staff

Britain, the US, Australia and New Zealand are waging a quiet but determined diplomatic offensive to dissuade Fiji from declaring itself a republic.

Separately, but in a jointly agreed campaign, they have warned Ratu Sir Penaia Ganilau, the Governor General, who is running the country under emergency rule, that the costs of such action internationally will be high and could include permanent exclusion from the Commonwealth, which will discuss the Fiji crisis at its meeting in Vancouver in the autumn.

The diplomats have also warned Ratu Ganilau that if a new constitution is produced which disenfranchises the Indian population or excludes them from any possibility of power-sharing, other Commonwealth states, notably India, will be quick to draw the parallels with South Africa.

The pressure coincides with a critical meeting of the influential Council of Chiefs in the capital Suva, at which the idea of declaring a republic is being discussed.

Both the Governor General and Dr Timoci Bavadra, the former Prime Minister, whose newly elected coalition government was ousted in a coup in May, are believed to have counselled strongly against such a move.

Britain has been leading the diplomatic initiative. Immediately after the May 14 coup the British Government took the view that Fiji was an independent Commonwealth state and that the difficulties were therefore a matter for Queen Elizabeth and her advisers but not for the Government.

Since then, however, the Foreign Office has accepted that Britain has a decisive diplomatic role to play, and the British High Commissioner in Suva has been in close touch with the Governor General.

The joint diplomatic initiative aims to make the Fijians understand clearly the consequences of their actions. Since the coup it has been clear than many prominent Melanesians and the coup leaders have not fully thought through the consequences in terms of trade, vital aid programmes and tourism of their actions, with the result that the country has become isolated diplomatically as its economy has spiralled into decline.

Reports from Suva yesterday indicated that some powerful members of the Council remained committed to retaining Fiji's links with the Queen, who is the country's head of state, and to its currently suspended democratic forms.

Although the diplomatic pressure is being exerted quietly, the US went public yesterday when its charge d'affaires in Suva, Mr Eric Sherman, said: "The creation of any system in Fiji which does not respect and protect the rights of all Fiji's people, regardless of its label, should not expect support from the United States. Any resumption of our previous relationship would depend upon a resolution of the present political crisis which protects the interests of all the people of Fiji." Fiji receives about $2m a year in aid from Washington. This aid has been in abeyance, but not formally suspended, since the coup.

BP to raise £1.5bn and reorganise

Continued from Page 1

tors to reflect its new international status.

However, these plans partially clashed with the Government's plan to sell its stake, which it wanted to market chiefly to UK investors to help expand share ownership.

The Government now seems to have reached a compromise with Britain's largest company. BP is creating a smaller tranche of new equity than it would have liked, in order to minimise competition with the Government's sale. However, it seems likely the Government will agree to sell a somewhat larger share overseas than it would otherwise have done.

At the same time, the reorganisation of BP's and Standard's North American operations emphasises the commitment to maintain profitability across the whole of its empire.

A series of operational subsidiaries have been set up under the ownership of a new company, BP America. The former BP and Standard activities in each sector will be merged within the new subsidiaries. The whole operation is to be headed by Mr Robert Horton, who was sent out from London last year to rationalise Standard.

The immediate impact of the move on the Government's finances will be to limit a prospective overshoot in its £5bn target for privatisation receipts in 1987-88 by transferring some revenues into future years.

Although the share purchase will raise the value of the Government's stake in BP to between £8bn and £8½bn, the Treasury, as with previous privatisations, will receive the proceeds of the sale in a number of tranches. The first will be payable this autumn when the sale takes place, but the remaining instalments will not fall due until 1988-89 and, possibly, not until the following financial year.

The Treasury is anxious to keep the receipts as close as possible to the original target

Analysis, Page 24

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	30	86	Malta	S	39	102	Rhodes	S	32	90
Algiers	F	29	84	Edinburgh	F	20	68	Manchester	C	14	57	Rio de J'o	S	25	77
Amsterdam	F	18	64	Faro	S	25	77	Manila	C	33	91	Rome	S	28	82
Athens	S	34	93	Florence	F	29	84	Melbourne	F	11	52	Salzburg	C	17	63
Bahrain	S	39	102	Frankfurt	TH	23	73	Mexico City	S	27	81	San Francisco	F	15	59
Bangkok	S	35	95	Funchal	C	22	72	Miami	S	29	84	Seoul	R	24	75
Barcelona	C	20	68	Geneva	F	20	68	Milan	S	26	79	Singapore	S	25	77
Beirut	-	-	-	Gibraltar	S	28	82	Montreal	C	18	64	Stockholm	S	25	77
Belfast	C	17	63	Glasgow	F	22	72	Moscow	C	17	63	Strasbourg	TH	16	61
Belgrade	S	32	90	Guernsey	F	16	61	Munich	R	16	61	Sydney	F	14	57
Berlin	R	18	64	Helsinki	S	25	77	Nairobi	F	23	73	Taipei	S	34	93
Biarritz	F	20	68	H. Kong	S	32	90	Naples	S	33	91	Tangier	S	25	77
Bombay	F	31	88	Innsbruck	R	13	55	Nassau	S	31	88	Tel Aviv	S	30	86
Bordeaux	C	20	68	Inverness	F	17	63	New Delhi	S	38	100	Tenerife	S	25	77
Brussels	F	19	66	Islamabad	S	40	105	New York	S	25	77	Tokyo	C	27	81
Budapest	S	31	88	Istanbul	S	30	86	Nice	S	27	81	Toronto	C	23	73
B. Aires	S	16	61	Jakarta	C	34	93	Nicosia	S	38	100	Tunis	S	31	88
Cairo	S	35	95	Jersey	C	17	63	Oporto	S	24	75	Valencia	C	24	75
Cape Town	F	12	54	Jo'burg	S	07	45	Oslo	C	23	74	Venice	S	26	79
Caracas	C	26	79	Lima	C	20	68	Paris	C	17	63	Vienna	S	23	73
Casablanca	F	24	75	Lisbon	S	25	77	Peking	C	28	82	Warsaw	F	24	74
Chicago	S	34	93	London	D	14	57	Prague	F	19	66	Washington	S	31	88
Cologne	R	20	68	Los Angeles	F	16	61	Reykjavik	D	10	50	Zurich	F	18	64
Copenhagen	F	18	64	Luxembourg	C	14	57								
Corfu	S	37	99	Madrid	S	29	84								
Dallas	F	33	91	Majorca	F	27	81								
Dublin	F	19	66	Malaga	S	26	79								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US rejects Soviet offer

Continued from Page 1

derlying causes of tension in the region".

The international oil market yesterday reacted to signs that Gulf tension had temporarily eased as a result of the Security Council resolution. Oil prices fell sharply, partially reversing the gains of the last two weeks.

On the New York Mercantile Exchange, the price of West Texas intermediate crude yesterday morning dropped by 65 cents to $21.55, although later in the day it had recovered slightly to $21.80. In London Brent prices for August delivery closed 27.5 cents lower at $20.35.

In New York selling was particularly heavy as traders took profits accumlated over the past fortnight, during which prices have risen by nearly $2 a barrel.

Separately, however, the diplomatic row between France and Iran continued unabated as talks about the repatriation of their diplomats following the break in relations between them on Friday appeared to reach stalemate.

France said yesterday that it would give a military escort to two French oil tankers sailing through the Gulf this week

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 22 1987

Citicorp's underlying earnings up 22%

By Our New York Staff

CITICORP, the biggest US banking group whose decision to boost its loan loss reserves has prompted all the major US banks to report large second-quarter losses, said yesterday its latest earnings would have increased by 22.5 per cent to $288m, had it not had to add $3bn to its loan loss reserve.

The New York-based banking group says that its consumer business continues to report "good earnings" but its business with corporations, governments and financial institutions continues to be adversely impacted by the absence of interest payments from Brazil and the relatively high level of write-offs that have existed for several quarters.

Citicorp's foreign exchange trading revenues were up and securities trading results were down from the first quarter but the group "continues to be encouraged by this performance relative to some major competitors." Citicorp lost $2.58bn in its second quarter or $18.87 per share.

By contrast with Citicorp's strong underlying performance, Manufacturers Hanover reported yesterday that its second quarter earnings, excluding the $1.7bn addition to loan loss reserves, were 6.6 per cent down at $88.4m.

Wells Fargo, the last of the major US banking groups to announce a strengthening of its reserves for losses on loans to third world countries, lost $293.7m, or $5.56 per share, in its second quarter after adding $550m to its reserves.

The tenth biggest US banking group said that without the effect of the special addition to reserves its net income would have risen by 26 per cent to $83.6m, or $1.45 per share.

The $550m addition to Wells Fargo's reserves increases its loan loss allowance to $1.29bn or 3.5 per cent of loans. The group says that at least 40 per cent of its $1.9bn of cross-border outstanding loans to developing countries is covered by the loan-loss allowance.

Meanwhile, Bankers Trust, which had already warned that it would lose around $570m in the second quarter because of the boost to its reserves, reported a loss of $554m, or $7.85 per share.

Bankers Trust says that if the effects of the special addition are excluded its second quarter earnings rose 11 per cent to $116m, or $1.64 per share.

Mr Charles Sandford, chairman, said that other than the effects of the special provision, the group's second quarter results were boosted by higher non-interest income and net interest income, partially offset by increases in non-interest expenses and income taxes.

Non-interest income increased by $100.2m to $298.9m primarily because of record foreign exchange trading income. However, the company lost $8.3m on its trading account compared with net income of $19m last year.

First Interstate Bancorp, which announced a special addition to its reserves on June 11th, yesterday reported a second quarter loss of $469.8m, or $10.00 per fully diluted share.

Abitibi-Price moves ahead

ABITIBI-PRICE, the world's largest newsprint maker, felt the impact of strong demand and higher prices in the second quarter with earnings at C$36.2m ($27.5m), or 49 cents a share, up from C$28.5bn, or 39 cents a year earlier, on sales of C$756m against C$701m, reports Robert Gibbens in Montreal.

Profit for the first half was C$58.1m or 78 cents a share, up from C$50.2m or 69 cents a year earlier, on sales of C$1.4bn against C$1.34bn.

The company expects the strong newsprint market to continue in the second half and will get the benefit of another newsprint price increase from July 1.

Chrysler second quarter result beats expectations

BY JAMES BUCHAN IN NEW YORK

CHRYSLER, the third largest US motor manufacturer, yesterday surprised Wall Street with stronger than expected net income for the second quarter and a 12.5 per cent growth in revenues despite falling unit sales.

Chrysler yesterday reported earnings in the June quarter of $428.7m or $2 a share, down from $488.2m or $2.19 a share in the 1986 second quarter.

But last year's result included a once-and-for-all capital gain of $131.9m after tax on the sale of Chrysler's holding in Peugeot.

In operational terms, earnings were 20 per cent ahead of last year's $356.3m or $1.60 a share and Chrysler stock jumped $1⅝ to $39⅝ in early trading.

Sales were $6.41bn, up from $5.70bn in the 1986 June quarter, despite a decline in factory sales of 2.6 per cent to 558,122.

"It's important to note that these higher earnings took place while unit sales were going down," said Mr Lee Iacocca, chairman of Chrysler.

"Our earnings are up in a down market as a result of Chrysler Motors' plan to put heavy emphasis on trucks and move upscale to a richer product mix in our car line."

In addition Chrysler Financial, the company's credit subsidiary, reported record net income of $60.3m against $46.4m.

In the course of the June quarter, Chrysler Motors' share of the truck market increased 1.5 percentage points to 14.8 per cent.

Its overall share of the North American car and truck retail market rose 0.1 percentage point over the first quarter to 12.2 per cent.

● *American Motors Corp, the medium-sized US car producer which is in the throes of being taken over by Chrysler, is continuing to recover from heavy losses and has produced a second-quarter net profit of $30.2m – its third consecutive quarterly profit.*

Mr Joseph E. Cappy, AMC's chief executive said the 1987 improvements were the result of strong worldwide Jeep vehicle sales and a richer product mix. Other factors were "improved operating margins, higher utilisation of manufacturing capacity and continuing improvement in manufacturing efficiencies."

Domestic AMC Jeep sales rose by 31 per cent to 60,874 units in the latest quarter and for the six months, sales of AMC's most famous product rose by 20 per cent to 119,506. Domestic sales of AMC automobiles rose by 3.3 per cent to 18,080 in the latest period and for the six are 5.6 per cent ahead at 36,460.

The latest earnings compare with a loss of $52m in the comparable quarter of last year and a profit of $20m and $23.4m in the previous two quarters. The group's net sales in the latest three months rose by 50 per cent to $1.2bn.

For the first six months of 1987 AMC earned $53.7m, or 29 cents a share, compared with a loss of $71m, or a loss of 70 cents a share. Sales rose by more than a third to $2.3bn in the first six months.

American Motors shareholders are due to meet on August 5 to approve Chrysler Corporation's acquisition of the company which until now has been controlled by France's Renault Group. Chrysler is offering $4.50 per AMC share.

American Express posts loss of $47.9m

By Roderick Oram in New York

AMERICAN EXPRESS, the financial services conglomerate, has reported a small second-quarter loss, as forecast, because of a $600m addition to loan-loss reserves for Third World debt.

The loss was $47.9m, or 12 cents a share, against a net profit of $358.9m, or 79 cents a year earlier. First-half profits were $204.4m, or 45 cents a share, compared with $679.9m, or $1.49, a year earlier, although this is inflated by $139.6m from the sale of the company's interest in Warner Amex, the cable TV group.

Revenues in the latest period totalled $4.25bn, compared with $3.62bn, and in the first half $7.95bn from $7.02bn. For the full year American Express is expecting one of its highest-ever profits.

The additions to loan-loss reserve, equal to $520m after tax, pushed American Express Bank to a second-quarter loss of $485m compared with a net profit of $43m a year earlier. The bank continued to redirect its activities into fee-generating business and away from traditional lending.

Loss reserves now total $790m, or about 38 per cent of Latin American loans or 10.4 per cent of all loans outstanding. The higher reserves "afford us a new level of flexibility," Mr James Robinson, chief executive of American Express, said.

The bank's losses were largely off-set by a strong performance by traditional businesses such as charge cards and travellers' cheques.

It also benefited from a $142m after-tax gain following the sale of a 30.4 per cent stake in Shearson Lehman Brothers

Henley Group plans $700m share buy-back

BY WILLIAM HALL IN NEW YORK

THE HENLEY Group, a collection of unprofitable businesses spun off by Allied-Signal just over a year ago, yesterday announced a $700m cash tender offer for nearly a quarter of its shares and plans substantially to increase its stake in Santa Fe Southern Pacific, the troubled railroad and energy group.

Henley was floated on the stock market at $21.25 per share in May 1986 and although it has been quietly restructuring the motley collection of businesses which it inherited, it has kept a relatively low profile. There has been some concern that Mr Michael Dingman, Henley's 55 year old chief executive, might have lost his touch as master reshuffler of corporate assets.

However, yesterday's spate of announcements will reassure Mr Dingman's followers on Wall Street, where he has acquired a reputation for profitably restructuring unglamorous corporate assets. Henley shares rose by $2¼ to $30 in early trading yesterday.

Henley will spend $700m repurchasing 25m of its shares at $28 per share and will finance the purchase initially through a new $2.5bn senior revolving credit facility.

The company also announced yesterday that it will file a Hart-Scott-Rodino filing that will enable it to increase its stake in Santa Fe Southern Pacific from its current level of 5.03 per cent to just under 25 per cent. Santa Fe's shares rose $1⅞ to $52¾ in early trading yesterday.

Henley's shares have substantially outperformed those of its former parent since it was floated on the stock market last year and yesterday the company underlined its strategy to enhance the value of its stockholders' investment in the company.

It noted that since it went public 14 months ago, the company has reduced its capitalisation by 18 per cent by buying in its shares; after the conclusion of the current tender offer it will have reduced its outstanding shares by 38 per cent to 78m.

Mr Dingman said yesterday: "During the past year, we have seen major structural changes in the debt and equity marketplace. Capital is readily available to a management group such as ourselves who have the proven ability to operate, restructure and improve the performance of companies. As a result, we believe Henley no longer needs the major equity base it has, to effect even the largest scale transactions."

Allied-Signal income drops by 33% on lower profit margins

BY OUR NEW YORK STAFF

ALLIED-SIGNAL, the diversified US industrial group strong in aerospace and automotive components, has suffered a one-third fall in earnings because of thinner profit and an unfavourable mix of sales.

Net profits from continuing operations fell to $111m, or 64 cents a share, in the three months ended June 30 from $171m, or 91 cents a year earlier. This left half-year profits down 23 per cent at $264m, or $1.51, against $343m, or $1.82.

The aerospace sector was the hardest hit with net profits falling to $47m on sales ahead modestly to $1.16bn from 1.12bn.

Profits from automotive components edged ahead to $40m from $37m on a large jump in sales to $947m from $737m thanks to a strong automotive original equipment market.

Group sales in the quarter rose 14 per cent to $2.85bn from $2.48bn, taking half-year revenues to $5.48bn from $4.92bn.

The company, created by the 1985 merger of Allied and Signal, continued to gain from divestitures outside its core businesses.

A net gain of $37m from disposals made the final second quarter net $148m, or 85 cents a share. Income from discontinued operations and other items made the year earlier final net $175m, or 99 cents.

In the latest period Allied-Signal booked higher profits from its UOP process technology unit and more income from its investment in Union Texas Petroleum, reflecting higher oil and gas prices.

Tyndall Holdings offers £214m for Australian financial group

BY DAVID WALLER IN LONDON

IN AN EFFECTIVE reversal of the "Ron Brierley" principle – whereby entrepreneurial Antipodeans acquire UK companies – Tyndall Holdings, the UK financial services and investment management company, has launched an agreed £214m (US$342m) cash offer for Clayton Robard, a leading Australian financial services group.

The combined companies will have a market capitalisation in excess of £250m, (A$567.5m) compared to Tyndall's market worth of £99m immediately prior to yesterday's announcement. This assumes that Tyndall owns no more than 75 per cent of Clayton's equity, as it intends to retain the company's listing on Australian Stock Exchanges.

Analysts predict that in calendar year 1988, the new group should achieve attributable profits of £18m. Formed last November out of the merger of two subsidiaries of Aetna Life, the US insurance company, with Brint Investments, a former shipping company, Tyndall was expected prior to the deal to make pre-tax profits of £4m next year.

According to Mr Garnet Harrison, the 35-year-old managing director of Tyndall, Clayton Robard occupies a "pivotal position" in the Australian financial services industry. It owns Associated National Life Insurance, Australia's eight-largest life assurance company, and at the end of June had funds under management of $A1.8bn.

Clayton is the leader in the Australian market for unit trusts and unit-linked life products, with between 12 and 15 per cent of the market. ANL's total premium income was A$300m for the year to June 30, and during the past three months sales of new products have averaged A$60m a month.

It assumed its present form in September last year when Koitaki Limited merged with Keywest Investments, an investment management company built up by Mr Harrison during the previous four years. Mr Harrison, a former stockbroker, then returned to the UK to run Tyndall.

South African fertiliser group suffers from slack demand

BY JIM JONES IN JOHANNESBURG

CONTINUING SLACK demand for fertilisers and agricultural chemicals restrained the growth in profits of AECI, South Africa's largest diversified chemicals group, in the first half of this year.

However demand is expected to improve during the second half of the year, the normal planting season for grain crops, and the directors forecast an acceleration in the profit growth rate.

The first half's turnover increased to R1.48bn ($4.36m) from R1.30bn in the first half of 1986 as domestic, non-agricultural sales volumes rose by 3 per cent.

The interim trading profit before tax and finance costs was R153m against R141m and the first half's pre-tax profit rose to R121m from R104m.

Turnover totalled R2.82bn in 1986, the year's trading profit was R332m and the pre-tax profit was R263m.

Mr Mike Sander, the managing director, says factory loadings improved and that this led to a significant increase in the profits of the non-agricultural products divisions.

Mr Chris von Solms, who heads the explosives and fertilisers division, believes that competitive price cutting will not affect fertiliser sales this year and that maize farmers, who suffered lower than expected crops this past season, will increase their use of fertiliser.

The group is planning two major projects – a soda ash production in Botswana and a synfuels plant in South Africa. At present work on synfuels is largely confined to improving processes.

The plant itself will be delayed by the advent of the Mossel Bay offshore gas and synfuels venture, which will absorb a considerable part of the capacity of South Africa's engineering sector. As a result AECI's project will only be started once Mossel Bay's construction starts to wind down.

AECI picked up the Botswana venture when BP abandoned it a year ago. It involves recovery of salt and soda ash from the Makgadikgadi pans in the north of the country, but awaits government approval.

Interim earnings rose to 53 cents a share from 45 cents and the interim dividend has been held unchanged at 25 cents. Last year's earnings were 113 cents and the total dividend was 60 cents.

Amdahl books record second quarter

BY LOUISE KEHOE IN SAN FRANCISCO

AMDAHL, the US IBM-compatible mainframe computer company, has turned in its highest ever second-quarter result.

Net earnings soared from $2.7m or 6 cents a share in the second quarter of last year to $31m, or 60 cents a share, on sales up 63 per cent to $341m from $209.3m.

This boosted net income for the first half of 1987 to $56.2m, or $1.11 a share, compared with $5.1m, or 11 cents, for the same period last year. Sales for the latest six months totalled $659.5m against $409.8m last time.

Mr John C. Lewis, Amdahl's chairman and chief executive said: "The strong financial performance in the second quarter reflects the continuing demand for our large-scale processor and storage systems.

"If demand continues to improve, we should be able to report financial results in the second half of 1987 that will be somewhat better than those in the first half."

Amdahl added that its higher earnings and sales reflected strong sales of a new range of processors that it started shipping in mid-1986.

"The earnings pattern is driven by the product cycle," the company said.

In the first half of 1986, Amdahl was at the end of a product cycle and sales and earnings were depressed. In mid-1986, with the launch of its new machines, sales and earnings began to grow.

"We are now shipping everything that we can make," the company said.

N. AMERICAN QUARTERLIES

H. F. AHMANSON
Savings and loans

Second quarter	1987 $	1986 $
Revenue	—	—
Net income	32.2m	78.6m
Net per share	0.33	0.80
Six months		
Revenue	—	—
Net income	114.7m	144.4m
Net per share	1.17	1.60

ARMCO
Steel, steel products

Second quarter	1987 $	1986 $
Revenue	719.5m	857.7m
Net income	36.2m	†394.7m
Net per share	0.46	†5.68
Six months		
Revenue	1.45bn	1.34bn
Net income	88.7m	†447.6m
Net per share	1.10	†6.69

† Loss

AVON PRODUCTS
Cosmetics

Second quarter	1987 $	1986 $
Revenue	805.5m	469m
Net income	41.5m	40.8m
Net per share	0.59	0.57
Six months		
Revenue	1.5bn	1.32bn
Net income	60.2m	59.5m
Net per share	0.86	0.81

BANCTEXAS
Banking

Second quarter	1987 $	1986 $
Revenue	—	—
Net income	†22.6m	†8.6m
Net per share	†0.86	†0.38
Six months		
Revenue	—	—
Net income	†46.6m	†8.2m
Net per share	†1.38	†0.38

† Loss

BELLSOUTH
Telecommunications

Second quarter	1987 $	1986 $
Revenue	3.03bn	2.93bn
Net income	382.3m	408.5m
Net per share	0.80	0.87
Six months		
Revenue	5.98bn	5.74bn
Net income	834.7m	828.5m
Net per share	1.74	1.78

COCA-COLA ENTERPRISES*
Coke bottling

Second quarter	1987 $	1986 $
Revenue	929.1m	436.2m
Net income	35.1m	11.2m
Net per share	0.25	0.16
Six months		
Revenue	1.57bn	765.4m
Net income	42.2m	13.2m
Net per share	0.30	0.19

* New company: 1986 results pro forma

CONSOLIDATED FREIGHTWAYS
Haulage

Second quarter	1987 $	1986 $
Revenue	559m	533.6m
Net income	20m	26.4m
Net per share	0.51	0.69
Six months		
Revenue	1.09bn	1.03bn
Net income	37.6m	42.3m
Net per share	0.97	1.10

CHICAGO PACIFIC
Household appliances

Second quarter	1987 $	1986 $
Revenue	328m	184.1m
Op. net income	7.9m	3.3m
Net per share	0.82	0.41

More quarterly results on Page 41

Airbus problems put MBB in red

BY HAIG SIMONIAN IN MUNICH

A NET LOSS of DM104m ($55.9m) for 1986 is revealed by Messerschmitt - Boelkow - Blohm (MBB), West Germany's leading aerospace group, following a DM109m profit in 1985, on turnover which fell to DM5.6bn from DM6bn.

The company is expectaing a DM95m loss in the present business year, said Mr Hanns Arnt Vogels, MBB's chief executive.

MBB's major problem last year was civil aircraft, where its wholly-owned subsidiary, Deutsche Airbus, is the German partner in the European Airbus consortium. Adverse exchange rate factors meant the group had radically revised the budget for the wide body Airbus A300/A310 programme last year.

As a result, MBB had been unable to meet its forecast that 1986 profits would be roughly maintained, said Mr Vogels. Moreover, the present exchange rate of around DM 1.80 would damage group results in 1987, possibly at a cost of DM 30m to profits.

MBB's results indicate the intensity of the international competition in the aerospace market, and the advantage US manufacturers have now gained thanks to the lower dollar.

Putting a brave face on things, Mr Vogels said the group was not unduly pessimistic in the longer term as exchange rates could change, while other economic fundamentals, such as US inflation or the level of interest rates, could once again tip the economic balance.

Nevertheless, MBB's own results had been reduced by some DM 60m last year as a result of adverse currency factors, apart from the losses at Deutsche Airbus, which it invoices in D-Marks. Moreover, there had been difficulties in the helicopter market in 1986, and these would continue to hamper profits this year.

Losses on the Airbus had obliged MBB to seek federal government help. Agreement has now been reached, subject to parliamentary approval, for the state to take over DM1.9bn in accumulated loans and guarantees already granted to Deutsche Airbus to back the existing A300 and A310 airliners.

However, MBB itself is also committed to ploughing DM300m into Deutsche Airbus as part of the deal. Half the funds will be put up this year, with the rest coming in the form of development finance in 1988.

MBB is accordingly likely to need more capital from its shareholders, though Mr Vogels saw little chance of this being achieved at the moment.

However, he predicted the company would return to profits by the end of 1988, provided no further special financing for Deutsche Airbus was required. He said a capital increase would seem much more likely then.

The much-discussed chances of Daimler-Benz taking an equity stake in MBB look slimmer after its latest results and forecast for 1987, despite the commercial attractions for Daimler of forming a wider aerospace grouping.

For its part, MBB is keen to have Daimler on board. But any eventual arrangement looks set to depend on a broader package including possible government aid for Dornier, Daimler's aerospace subsidiary.

Two Swiss banks show favourable first-half results

BY WILLIAM DULLFORCE IN GENEVA

UNION BANK of Switzerland, the country's biggest bank, yesterday announced that it had achieved "favourable" results in the first half of 1987 but did not disclosed figures. It forecast "satisfactory" results for the rest of the year.

UBS posted a 12 per cent rise in net earnings to SFr 776m ($501m) in 1986. The Swiss bank is currently negotiating the takeover of Hill Samuel, a leading London merchant bank.

A reduction in income from lending and securities business in the first half had been offset by higher earnings from foreign exchange, banknote and precious metal trading and from underwriting operations, the bank reported.

The results were below the record figures notched up in the first six months of 1986 but above those registered in the second half, UBS stated.

Lending had expanded only slowly in volume over the last few months and had suffered a considerable squeeze on margins, the bank said. Some sectors of the securities business had seen a slight, temporary slowdown.

The balance sheet total rose by 3.1 per cent or SFr 4.7bn to SFr 156.8bn in the first half. Growth would have been SFr 8.2bn, if exchange rate changes had been ignored, UBS estimated.

Capital and declared reserves rose by SFr 400m to approximately SFr 9.1bn as a result of the capital stock increase approved by the general meeting in April.

Swiss Volksbank, the fourth largest of the Swiss banks, reported that income had advanced "satisfactorily" in the first half, with second-quarter figures exceeding those for the first. It foresaw a similar development in income during the second half.

Returns from securities and interest-bearing operations had contributed particularly to the better result in the second quarter.

Last year Swiss Volksbank booked net earnings of SFr 116.3m, up 15 per cent from 1985, and an increase of 12.8 per cent to SFr 28.9bn on its balance-sheet total. When the results were announced, Mr Walter Ruegg, managing director, warned that the profit increases of recent years should not be taken for granted.

In the first half of this year the balance sheet total climbed by 8.9 per cent to reach SFr 31.5bn, a faster expansion than that recorded during the corresponding period of 1986.

Paribas acquires stake in Luxembourg broadcaster

BY PAUL BETTS IN PARIS

PARIBAS, the French investment banking group, has acquired for about FFr 500m ($80.8m) a 13.4 per cent stake in Compagnie Luxembourgeoise de Telediffusion (CLT), the Luxembourg-based broadcasting group. The vendor is Schlumberger, the Franco-American oil services company.

The acquisition increases Paribas' stake in CLT to 24.6 per cent and reflects the recently privatised French banking group's efforts to boost its interests in broadcasting and other audiovisual investments.

Paribas recently became a core shareholder in Havas, the privatised French media and advertising group, with a 4 per cent stake. It is also a shareholder in M6, the new French commercial television channel, and an important shareholder in the French UGC film production and distribution group.

Paribas has now invested more than FFr 1.3bn in broadcasting and other related investments. The bank indicated yesterday that this sector is becoming an increasingly important plank in its investment strategy.

Paribas has now become the second largest shareholder in CLT, which owns the RTL broadcasting network and is a leading shareholder in the M6 television chain. The biggest shareholder in the Luxembourg group is Audiofina.

Schlumberger has been shedding non-strategic assets in the face of the slump in the oil services business. Earlier this week, Schlumberger reported halved second quarter net earnings.

Paribas has suggested that it might be tempted in the future to shed part of its interest in the Luxembourg group. Havas has said it would be interested in increasing its stake in CLT.

The latest deal over CLT is part of the rapid changes now taking place within France's deregulated broadcasting industry as major French groups jostle for position in this fast developing sector.

Roche confident in spite of lower sales at half-term

BY OUR GENEVA CORRESPONDENT

ROCHE, Switzerland's third largest chemicals manufacturer, yesterday foresaw a "good group result" for 1987, although sales in terms of Swiss francs fell by 6 per cent during the first half.

Turnover reached SFr3.8bn ($2.45bn) against just over SFr4bn in the first six months of 1986, but Roche estimates that this veiled an increase of 13 per cent in local currencies. During the period the average Swiss franc appreciation against the dollar was 18 per cent.

The increase in sales volume is expected to continue in the second half, Roche believes, the impact of currency fluctuation should also lessen.

Last year the group showed a net profit of SFr416m, down by 7.9 per cent, on a SFr7.8bn turnover. Mr Fritz Gerber, the company chairman, said last month the 1987 results should equal those reached in 1986 and "earning power" should be improved further.

INTERNATIONAL COMPANIES and FINANCE

NZ turns down offers for steel group stake

By Dai Hayward in Wellington

THE New Zealand Government has refused the only two offers received for its 90 per cent shareholding in New Zealand Steel because the bids were too low.

More than a dozen prospective customers were approached but only two made a firm offer.

Mr David Caygill, the Minister of Trade and Industry, said the bids did not give the government an adequate return on the capital it has invested in the company. Both bids were from New Zealand groups, which also wanted strong guarantees.

Since 1984, the government has put NZ$2.18bn (US$1.32bn) into restructuring the company's debt. The expansion of the Glen Brook steel mill, one of the "think big" projects approved by the previous government of Sir Robert Muldoon, was later described by the head of the Treasury as "a hell of a mistake."

Mr Caygill would not reveal the size of the bids but said the government wanted to recover as much as it could of the NZ$2bn poured into the steel mill's expansion, although it accepted that the price for its shareholding would be "substantially smaller." It will continue to seek a suitable buyer.

Curb on loans to property speculators in Japan

BY YOKO SHIBATA IN TOKYO

THE FEDERATION of Bankers' Associations of Japan and the Life Insurance Association of Japan confirmed yesterday that member banks and life insurance companies will not extend loans for speculative property transactions.

The two organisations have instructed member companies to strictly abide by the policy. Their moves followed a similar decision on Monday by the Trust Banking Association of Japan, which urged trust banks to refrain from making loans to real estate speculators.

The move has come at a time when banks and other financial institutions, faced with shrinking loan demand from corporate borrowers, have expanded their lending to property dealers, accelerating the spiral of rising land prices — especially in the heart of Tokyo.

The Ministry of Finance started direct hearings this week dealing with the banks, at which financial institutions have come under severe criticism.

To add fuel to this debate, a senior executive of Chuo Trust and Banking has been found to have concealed a huge amount of income resulting from speculative land transactions, said to have been partly financed by the bank.

The chairman of the Federations of Bankers' Associations said that banks had tried to keep strictly within the instructions of the MoF and the Bank of Japan in extending loans to property developers. However, the federation has now decided to drive home the necessity of such measures to all member banks. If suspicious or inappropriate loans are identified, banks will take measures that may include calling in the loans.

Manville to emerge from Chapter 11

By Our Financial Staff

MANVILLE, the US building products group, has announced a sharp rise in second-quarter earnings and said it would emerge from Chapter 11 of the US Bankruptcy Code in the first half of 1988.

Manville filed for reorganisation under Chapter 11 in August 1982, weighed down by some 20,000 asbestos-related lawsuits. In December last year a US bankruptcy judge approved a reorganisation plan calling for the establishment of a $2.5bn trust fund to pay asbestos victims.

This week the company said it had accumulated sufficient cash to meet the initial obligations of the plan.

Second-quarter net earnings rose from $28.4m or 92 cents a share to a record $41.1m or $1.45, on sales of $517.8m, against $480.7m. This took the six-month total to $84m or $2.98 a share from $46m or $1.39 on sales of $992.9m, against $925.9m.

Manville attributed its performance to strong volume in its glass-fibre segment, where sales increased by more than 8 per cent over 1986.

The company also cited favourable conditions in its paper and wood businesses.

Griffin sells airlines to Perron

BY CHRIS SHERWELL IN SYDNEY

EAST-WEST Airlines, the aggressive discount airline based in New South Wales, and Skywest, the West Australian airline, have been sold for an undisclosed sum to a Perth-based group.

The buyer is the Perron group, controlled by Mr Stan Perron, a Perth businessman, and the seller is the Griffin group, controlled by Mr Ric Stowe, which is also based in Perth and which bought the airlines in 1983.

The sale means that the proposed flotation and listing of East-West, hitherto scheduled for September, will be deferred. Griffin was expected to sell about half the company to give the airline a market capitalisation of around A$100m (US$70.5m).

In recent years East-West has fought to expand its fleet and its route network in a determined bid to take on Ansett and the state-owned Australian Airlines.

It has been a strong objector to the government's restrictive two-airline policy, which determines fares and limits aircraft imports. The re-elected Labor government has promised to end this policy by 1990.

East-West has acted on its objections by introducing discount fares and seeking to extends its services to Australia's other states.

Broad restructuring for QAF

BY ROGER MATTHEWS IN SINGAPORE

QAF, the widely diversified group in which the Brunei royal family has the majority interest, has brought in Mr John Richardson, former chief executive of Hutchison Whampoa, to carry out a wide-ranging restructuring.

The appointment of Mr Richardson to the board as deputy chairman, and as chairman of a newly-formed executive committee, coincided with the publication of the group's annual results, which revealed a substantial fall in profits, and a rights issue which raised S$44m (US$20.7m).

Established in 1984, QAF quickly gained a listing on the Singapore and Kuala Lumpur stock exchanges through a reverse takeover before setting out on a rapid series of acquisitions.

Its interests now range from food manufacture and retailing through newspaper publishing to offshore oil servicing and the design of naval vessels.

Mr Richardson said yesterday that his task would be to redefine the group's strategy and to refocus on the core elements. "QAF has moved very quickly in a very short time. What we need now is to pause for breath and to consolidate." He expects to spend a considerable amount of time in Singapore during the next six months, during which one of his most critical tasks would be to find a new chief executive for the group.

Mr Richardson added that he remained on friendly terms with Mr Ahmad Iqbal Saddique, the former managing director who has resigned from the board. Mr Saddique will retain his 17.5 per cent shareholding.

QAF yesterday announced a 63 per cent fall in pre-tax profits to S$2.7m on group turnover up 36 per cent to S$200m. The decision to cease operations in a joint venture drilling company has led to a write-down of S$12.3m, of which QAF's attributable share of S$6.2m had been taken at the extraordinary level. An additional extraordinary provision had been made for the non-recovery of the company's share of profits in another oil and gas joint venture.

The S$44m proceeds from the rights issue are to be used entirely to reduce the group's borrowings. Mr Richardson, who believes that interest rates will start to climb later in the year, said that it was vital to reduce the group's gearing as it was currently highly vulnerable to interest rate movements.

French banks plunge into broking

BY GEORGE GRAHAM IN PARIS

FRANCE'S LEADING banks have wasted no time before deciding to plunge into the closed world of the Paris stockbrokers.

Even before the law that will reform the French stock exchanges has been passed, Banque Nationale de Paris and Societe Generale, two out of France's "big three," have each announced their plans to take control of a Paris brokerage.

Credit Lyonnais, the third of the big three, will soon follow its rivals, while such other French banks as Credit Commercial de France and Indosuez are also expected to take the plunge and buy into the capital of a brokerage house.

For the big French banking groups, the decision was hardly avoidable.

The reform of the stock exchanges planned by Mr Edouard Balladur, the Finance Minister, is a gradual one, and the closed shop of the present 103 *agents de change*, with exclusive rights to deal in French domestic shares, will not end until 1992.

Banks which want a full role in the French stock market within the next five years thus have little choice but to buy into a brokerage as their entry ticket to the bourse.

The decision is, nevertheless, one that many bankers will take reluctantly.

"A brokerage firm is three things: the monopoly, the dealing teams and the client list. In 1992, the monopoly is worth nothing, the dealing teams are highly mobile and the only thing that is worth anything is the clientele, especially the private clients," said one BNP executive—before the bank finally decided to buy itself a stockbroker.

This reasoning appears to be confirmed by BNP's choice of broker, du Bouzet, in which it plans to take 53.5 per cent, and by Societe Generale's selection of Delahaye Ripault, in which

Mr Edouard Balladur: plans gradual reform

it plans to take a stake of between 67 and 75 per cent.

Rankings of French stockbrokers by size are hard to arrive at, but it is safe to say that neither du Bouzet nor Delahaye features on anyone's top 15. Du Bouzet, indeed, is reckoned to be one of the smallest brokers.

Clearly, both BNP and Societe Generale were willing to pay the price for one of the more substantial of the 61 *charges* into which the *agents de change* are grouped.

The contrast with London's Big Bang is clear. There, the big banks were keen to buy one of the best established brokers—even if some discovered afterwards that golden handcuffs were not enough to tie down these brokers' main assets, their dealers and analysts.

It is also notable that BNP and Societe Generale have limited themselves to majority control, whereas almost all the London bank-broker marriages ended up in a 100 per cent sell-out.

For many foreign securities houses, the logic of buying into a *charge* is not so inescapable as for their French competitors.

A number of British and American groups, such as Hoare Govett and Rowak, have been looking at the possibility of taking a stake in a French broker. Many have gulped in astonishment at the prices being asked by firms whose dealing and research strengths are sadly underdeveloped by international standards.

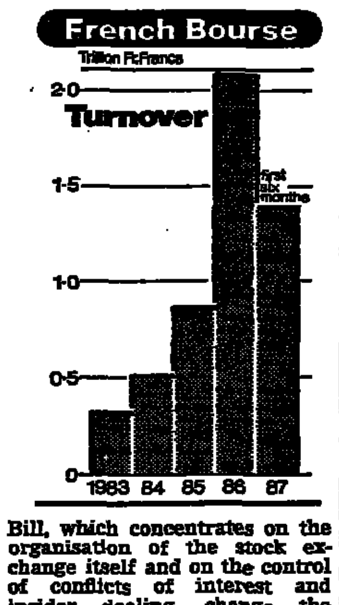
Many French brokers have been talking of a price 10 to 15 times their prospective 1987 earnings. This may be modest in comparison with the earnings multiples discussed a few months ago, but for firms whose income doubled last year and is expected to double again this year the margin of error is wide.

"You do not pay 15 times earnings to have a partner sitting in Grasse," said Mr Gerald de Geer of Enskilda Securities, which has decided to set up its own securities dealing operation in Paris rather than buy an existing broker.

To a great extent foreign securities houses can continue to take part in the French market without paying for a broker.

Dealing in French equities will continue to take place in London, which now accounts for an estimated 15 per cent of total French turnover and as much as 50 per cent in some stocks. Block trading, especially, is concentrated in London.

Nor will the Balladur reform



Bill, which concentrates on the organisation of the stock exchange itself and on the control of conflicts of interest and insider dealing, change the market's organisation, reduce commission costs or help to bring block trading back to Paris, since it envisages the continuation of the current, fully centralised market.

The way has already been pointed in the French government bonds market, where the leading French and American banks have almost completely sidestepped the bourse, even if transactions are in the end put through stockbrokers at wafer-thin commissions.

On the equity side, however, French banks are choosing to buy their entry ticket.

S&P and Moody's debt ratings for Abbey

BY CLARE PEARSON

THE Abbey National yesterday became the first UK building society to obtain debt ratings from Standard & Poor's and Moody's, the US rating agencies. The ratings constitute an important step forward for the funding plans of the society — Britain's second largest — in the international capital markets.

For long-term debt, the Abbey National obtained ratings of Aa-1 from Moody's and AA-minus from Standard & Poor's, which combined give a net AA rating. For short-term wholesale deposits, Moody's has assigned a Prime 1 rating while Standard & Poor's has given a provisional A1+ rating for the society's recent $1bn Euro certificate of deposit programme.

Mr Peter Birch, the Abbey's chief executive, said that the ratings would "enable us to gain wider and more competitive access to foreign capital markets."

They could open up to the society such areas as the US commercial paper market and the Euroyen bond market—from which UK building societies have so far been debarred since a credit rating is a formal requirement for issuers.

Moody's said of the ratings: "Abbey National will face challenges as it diversifies away from traditional activities in a changing environment of continuing deregulation. However, the society has already shown its ability to maintain profitability and control costs during a period of substantial changes in the British building society industry."

The societies have so far tapped the sterling Eurobond market extensively and this year the Abbey National, the Halifax and the Woolwich have issued dollar Eurobonds.

MoF plans first auction of 20-year state bonds

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance will issue 20-year government bonds under the auction system for the first time at the end of this month or early next month.

The MoF is expected to offer Y500bn-700bn of the long-term government bonds and nearly 400 companies are expected to submit bids, centering on the existing members of the syndicate that has underwritten previous 20-year government bond issues.

At present, only short- and medium-term government bonds are offered on an auction basis. Longer-term government bonds are underwritten by a syndicate of banks and securities houses to facilitate smooth digestion of the issues.

As a result, public offerings at auction accounted for only 34 per cent of total government bond issues at the beginning of this fiscal year. However, US brokerage houses have been lobbying strongly for wider access to the Japanese government bond market on reciprocity grounds. The auction system is customary for US Treasury bonds.

This has prompted the MoF to adopt the system for all its 20-year government bond issues and 20 per cent of its 10-year government bonds, which constitute the core of funding. As a result, 56 per cent of government bond issues will be auctioned in the current fiscal year.

The ministry is considering increasing the portion of 10-year government bond issues for auction to more than 20 per cent in the years ahead.

Foreign brokerage houses, which have been seeking an expansion in their quotas of government bond issues, may decide to bid for massive amounts at the auctions.

The MoF is reviewing the qualifications of financial institutions as government bond bidders, and could revoke the licences of those inactive at the auctions.

MoF officials say this review is under way ahead of the first auction of 20-year government bonds, expected at the end of this month or early next month, to ensure the effectiveness of competitive bidding.

Aside from the 20-year government bonds, six-month discount bonds and medium-term bonds with maturities of two, three and four years will be offered for auction.

The MoF awards separate licences to bid for each of the three categories of government bonds on application from brokerage houses and banks — including foreign brokerage houses and banks—on condition that they are members of the syndicate of underwriters for 10-year bonds and eligible to deal in outstanding public bonds.

Bankers Trust leads gilt warrants offer

By Janet Bush

BANKERS TRUST International is lead managing an issue of gilt warrants today through BT Gilts, its gilt-edged primary dealer, with Baring Brothers as co-lead.

This is the fourth such issue since new Stock Exchange and Bank of England regulations came into force on Monday and follows a similar pattern to the previous issues.

In each case, a US-owned house has teamed up with a British participant in the gilt market to accord with Bank of England lead management rules. The amounts involved have been £100m in each case—the limit allowed by the Bank in the initial stages of the market—and all the maturities have been roughly within the limit of one year set by the Bank.

Bankers Trust is issuing 1,000 call warrants, each exercisable into £100,000 nominal of the 10 per cent Treasury stock due 1993. The warrants are exercisable up to August 4 1988.

Bankers Trust said the indicated initial offer price would be £950 and the exercise price would be two points above the cash price of the underlying gilt at issue. The issue is guaranteed by Bankers Trust New York.

The Bankers Trust launch follows two issues yesterday, the first by Chase Manhattan with Union Discount, the discount house and agency broker in gilts, and the second by Goldman Sachs with N. M. Rothschild as co-lead.

The Goldman Sachs issue consisted of 1,000 call warrants, each exercisable into £100,000 nominal of the 12½ per cent Treasury stock due 2003-05 at an issue price of £26½ per cent and an exercise price of 130 8-32nds.

Australian dollar issues again take centre stage

BY OUR EUROMARKETS STAFF

AUSTRALIAN dollar issues again took centre stage in the Eurobond market yesterday; US dollar bonds were overshadowed by the testimony being delivered in Washington by the current and designate chairmen of the Federal Reserve Board, Mr Paul Volcker and Mr Alan Greenspan.

Most market participants agree that the Australian sector is becoming surfeited with new paper, and that new issues are likely to move slowly.

Oesterreichische Kontrollbank made a A$75m seven-year issue led by Orion Royal Bank, with the guarantee of Austria. With a coupon of 13¼ per cent and a price of 101¼, the issue was bid late in the day at 2 points below issue price, a discount equal to the total fees.

GMAC Australia Finance raised A$40m with a two-year issue hard on the heels of its $250m deal of the previous day. Led by County NatWest Capital Markets, the issue carries a coupon of 13¾ per cent and 101⅜ pricing.

Dairy Farm International, the Hong Kong-based food retailer and manufacturer, yesterday issued $200m worth of convertible cumulative preference shares which will be used to fund its recent £147m acquisition of a 25 per cent stake in Kwik Save, the UK discount food retailer.

Jardine Matheson, which still holds a 39 per cent stake in Dairy Farm, has taken up $50m worth of the offering.

The 200,000 preference shares bear a dividend of 6¾ per cent

INTERNATIONAL BONDS

and are convertible into Dairy Farm shares at a price of HK$5.81, a premium of 15 per cent over yesterday's close.

Credit Suisse First Boston led the offering which was increased from $150m and traded at around 101¾. The fees totalled 4 per cent.

The West German market saw the first convertible issue for a Japanese borrower since January 1986, also carrying a record low expected coupon. The issuer was Cuminoe Textile with a DM 70m bond for just under 10 years, priced at par with a likely ½ per cent coupon. Westdeutsche Landesbank was lead manager, and the bond, which carries a put option in 1992 at 107¼, traded at 98¼ bid, a point within its total fees.

D-Mark bond prices fell by 80 to 90 basis points in fairly active trading in the absence of retail demand. There was some unease in the market ahead of the Bundesbank repurchase agreement expected today.

In Switzerland Aoki, a Japanese construction company, made a SFr 100m five-year convertible issue with an indicated coupon of ¼, priced at par and led by Swiss Volksbank.

Long-Term Credit Bank of Japan's SFr 100m issue had its coupon cut to ½ from ⅝ per cent.

Swiss franc bonds were up to ¼ point higher in short maturities; more active business was concentrated around equity-linked issues for European borrowers. TNT's SFr 100m issue closed its first day's trading at 100½, half a point below its issue price.

ENI International Bank's Eurolira bond was increased from L50bn to L60bn.

Terms of Yokogawa Electric's two equity-linked issues were fixed as indicated, with the $100m issue quoted at 7 points below issue price.

Warner earnings boosted by record and cable sides

BY JAMES BUCHAN IN NEW YORK

DOUBLED second quarter net income has been shown by Warner Communications, the US entertainment group which is at loggerheads with its main stockholder.

Earnings for the three months to end-June amounted to $104.3m or 68 cents a share, up from $51.6m or 37 cents a share with the help of a 19 per cent increase in sales revenues to $766.3m from $644.3m.

Warner, whose stock has risen strongly this year in the face of solid growth in the company's record and cable businesses, closed at $35¾, up $¼ on the results.

The latest figures include a tax credit of $10.8m or 7 cents a share, but operational net income was still more than 80 per cent ahead at $93.5m or 61 cents a share.

Mr Steven Ross, Warner's long-time chairman, said that the company's film, record and cable divisions "all reported the best second-quarter and first-half results in their histories." Operating profits trebled at the cable division to $12.5m and were 41 per cent ahead in recorded music, at $49.1m.

Mr Ross is feuding over the direction of the company with Mr Herbert Siegel, the founder rescued Warner from hostile takeover four years ago and holds about 17 per cent of its stock. Mr Siegel is opposed to management's free-spending ways, which contributed to a 33 per cent increase in corporate overheads in the second quarter.

Improving prices lift Alcan in first half

By Robert Gibbens in Montreal

IMPROVING PRICES for ingot and fabricated products helped Alcan Aluminium, the largest primary aluminium producer in the world, post stronger revenues and profits — before special items—in the first half of the current year. The company sees further gains in the third quarter.

Net profits of the Montreal-based group amounted to US$95m in the second quarter, making a total of $157m for the first half.

In the second quarter of 1986, net earnings amounted to $106m while first-half profits totalled $138m, but the figures for both periods included special gains of $42m and $74m respectively.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅝ 92	200	94	[illegible]	0	[illegible]	9.87
A/S Eksportfinans 7⅝ 93	100	95	[illegible]	[illegible]	[illegible]	9.07
A/S Eksportfinans 7¼ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.79
Austria 7⅝ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.18
BP Capital 9¼ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	8.72
British Telecom 7⅝ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	9.17
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.34
Canada 9 96	1000	100	[illegible]	[illegible]	[illegible]	8.94
Canadian Pac. 10¼ 95	100	[illegible]	105	[illegible]	[illegible]	9.65
CCCE 7⅝ 91	113	[illegible]	[illegible]	[illegible]	[illegible]	8.56
CNCA 7¼ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.82
Citicorp 8¼ 93	200	[illegible]	[illegible]	0	[illegible]	9.72
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	8.64
Credit National 7⅝ 92	100	[illegible]	[illegible]	0	0	8.55
Credit National 9⅝ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	8.44
Credit National 7¼ 91	150	95	[illegible]	[illegible]	[illegible]	8.57
Denmark Kingdom 7⅝ 92	500	95	[illegible]	[illegible]	[illegible]	8.55
Denmark Kingdom 8¼ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	8.83
EEC 7 91	100	[illegible]	[illegible]	0	[illegible]	8.36
EEC 8¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	9.07
EEC 7¼ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.69
EIB 7⅝ 93	100	[illegible]	[illegible]	[illegible]	0	8.74
Finland 7⅝ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.28
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.54
Ford Motor Cred. 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.84
Ford Motor Cred. 11¾ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	8.36
Gen. Elec. Cred. 10¼ 00	200	105	[illegible]	0	[illegible]	9.79
Hoesch 7⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.32
Hoesch 7¾ 94	300	[illegible]	[illegible]	[illegible]	[illegible]	8.91
Hoesch 8¼ 97	100	[illegible]	[illegible]	0	[illegible]	9.01
Liberty Mutual 8½ 96	250	[illegible]	[illegible]	[illegible]	0	9.26
LTCB of Japan 8 91	100	[illegible]	[illegible]	0	[illegible]	8.68
LTCB of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.27
Mercds.-Benz Cred. 7½ 93	100	[illegible]	[illegible]	0	[illegible]	8.47
Mitsubishi Fin. 7⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.13
Mutual America 7⅝ 92	200	[illegible]	[illegible]	0	[illegible]	9.01
Norway Kingdom 7¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	8.37
Pepsico Inc. 7⅝ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.99
Qantas Airways 10⅜ 95	140	105	[illegible]	[illegible]	−1	9.43
Queensland Govt. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	10.32
Ralston Purina 11¼ 95	150	[illegible]	[illegible]	[illegible]	−1	10.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Clay Harris on the agreed merger between FKI Electrical and Babcock

Bringing in new thinking for a new future

FOR Babcock International, it has come to this: taken over by a company which, five years ago, was making parking meters.

If FKI Electrical illustrates one face of British industry in the 1980s, the opportunistic building of a profitable group by picking up loss-making companies here and there and turning them around, Babcock symbolises another: diversification of activity—but not necessarily of management attitudes—out of a traditional sector becalmed in decade-long doldrums.

The agreed takeover by FKI has come just as Babcock began to glimpse that its expensive preparation for the end of a long drought in UK power station orders would show returns within a few years.

The patient nurturing of factory automation and transatlantic moves into motor components and hardware, were beginning to pay off.

Things were coming right at Babcock, but not quickly enough. Pre-tax profits were forecast to grow by 10 per cent this year, at best, with a similar advance foreseen for earnings per share.

Even within Babcock, there was also a sense of drift as speculation mounted over possible takeover bids or disposals of parts of the business.

Lord King, Babcock chairman for 15 years, said yesterday: "We need to see a new road and a new future. We need to bring in some new thinking, and they've got it."

Mr Tony Gartland, FKI chairman, who will become chief executive of the combined FKI Babcock, struck the same note: "A little bit of lateral thinking goes a long way."

For the second time in six days, Lord King was employing his rhetorical skills to argue that what appeared to be a takeover was actually a merger.

If the proposition had appeared incredible in the case of British Airways and British Caledonian, it was merely questionable in the latest marriage in which Lord King found himself on the other side of the aisle.

He will be chairman of FKI Babcock, continuing a 16-year association with the company which began, ironically, when he was brought in to sort out its financial troubles.

The link with FKI follows a whirlwind romance which began only a few weeks ago. Sir Frank Cooper, former permanent secretary at the Ministry of Defence, had been acting as a matchmaker for several months in his role as director—both of Babcock and of N. M. Rothschild— FKI's long-time merchant bank, and Babcock's financial adviser since earlier this year.

Lord King's first request to Rothschild was for it to consider new directions for Babcock. The deal with FKI was, perhaps, clinched when Lord King, an adopted Yorkshireman who began his business career by building up Ferrybridge-based Pollard Bearings Group, immediately hit it off with Mr Gartland, whose FKI is still based at Sowerby Bridge.

Mr Gartland has run FKI since 1972, when he led a management buy-out of Fisher-Karpark, a parking-meter manufacturer, from Boston Fishing Group. Profits have increased without a hiccup every year since then.

In 1982, Fisher Karpark reversed into Woodend Securities, a moribund tea plantation group lying fallow on the USM. At the time, lighting controls was its only other business.

It moved to a full listing within a year, having already begun a string of engineering and electrical acquisitions.

Among the significant additions were engine diagostic and vehicle-lifting activities from TI Group, electrical and engineering operations from Thorn EMI and the Laurence Scott boiler and railway components unit from MS International.

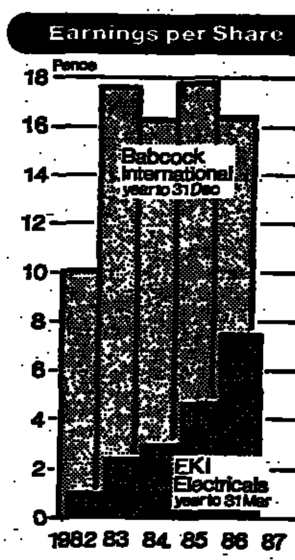
The ink is barely dry on its latest acquisition, the £36m rescue of Stone International, the troubled systems engineers. Stone alone more than doubled FKI's annual turnover.

Babcock will multiply the new total by more than six times.

TURNOVER AND OPERATING PROFIT BY DIVISION

	Turnover (£m)	Op. profit (£m)
Babcock International*		
Energy	287.7	4.18
Contracting	84.9	3.96
Ind./elec. prods.	89.4	1.67
North America	436.1	22.94
Overseas	170.1	0.94
FATA European	149.4	4.39
Total	1,217.6	37.84†
FKI Electricals‡		
Electro-numerical	17.6	1.25
Transport equip.	23.0	4.37
Comm/comps.	15.4	2.05
Engineering	11.4	2.09
Motors and control gear	16.1	1.92
Total	83.5	10.98†
Stone International§	100.4	6.70

* 1986. † After central costs. ‡ Year to 31-3-87. § Year to 31-5-86.



Tony Gartland (left), FKI chairman who will become chief executive of the new combined company, and Lord King, the Babcock chairman

Mr Gartland emphasised yesterday that Babcock marked a new departure for his company. "This is not a typical FKI deal where, frankly, we buy loss-making companies."

Nevertheless, FKI earnings have shown a 96 per cent compound annual rise since coming to market. Mr Gartland stressed yesterday that the Babcock acquisition would not be dilutive, but said: "We've never purported to the market that we could double earnings per share every year to infinity."

FKI will focus immediately on Babcock overheads. Mr Gartland and his colleagues had already gone through Babcock's management accounts. "The margins are viable at the gross margin level," he said. "There's no reason that they shouldn't be viable on a net margin level."

He and Lord King were at pains to emphasise that plans to rationalise did not necessarily mean disposals. "Disposals are a facet of what we will explore," Mr Gartland said.

Lord King, however, gave mining equipment as one activity that would face scrutiny. "Anybody involved in supplying the coal industry in this country will be rethinking their position."

Mr Gartland, who held 16.2 per cent of FKI before the share offer, will not be taking up any of his rights. His stake was worth £46m yesterday, even after a 15p fall to 188p in the share price.

He had a word for the markets. "They ought to have a little faith. They have no reason to think I've suddenly lost my marbles. It's taken me 14 years of solid, incremental work to build up what I've got, and 90 per cent-odd is tied up in FKI."

Rothschild said it would support its client's share price. Mr Michael Richardson, head of corporate finance, said: "We are believers in FKI at this price — or the price it was before."

If Mr Gartland's parking meters (still a part of the group) smack of Mr Martin Sorrell's supermarket trolleys, there is also a technical echo of the WPP Group bid for JWT.

Underwriting fees for FKI's 17-for-10 share offer are linked to success, 2 per cent if it goes through, but only ½ per cent if it fails.

Standard Chartered reviews SA position

By David Lascelles, Banking Editor

STANDARD CHARTERED BANK, the UK-based international bank, said yesterday that it is reviewing its 39 per cent interest in Stanbic, its South African subsidiary.

The statement marks a shift in the bank's policy, last by Mr Michael McWilliam, the chief executive at the annual meeting in May, that Standard Chartered had no intention of reducing its interest in South Africa.

"Unless a further restructuring of the investment is decided upon, no public comment will be made," the bank said. It would not say whether a buyer has been identified. Hill Samuel acts as Standard's merchant bank in South Africa.

Standard Chartered has been steadily reducing its stake from over 50 per cent over the last two years by not participating in rights issues by Stanbic. The major local shareholder is Liberty Life which also has first option to buy more shares from Standard Chartered.

The bank's strong South African connection, while politically controversial, had been viewed by some as a deterrent to a renewed takeover attempt by Lloyds Bank. However, the need to make substantial provisions against Third World debts has put pressure on its capital resources, and appears to be one of the factors behind the review of its South African interests.

Mr Donald Gordon, chairman of Liberty Life, who is visiting London, said yesterday that he had not received any formal approach from Standard Chartered, and had no plans to see the company during his two-week stay which ends on Thursday.

He said Liberty Life might be interested in increasing its stake in Stanbic in order to protect the relationship with Standard Chartered and keep the shares out of unfriendly hands.

But he pointed out that under South African regulations, his company could not increase its stake beyond 30 per cent without special dispensation. He also said there was a limit to how large a stake Liberty Life would want in Stanbic.

"When they are ready to talk, we will talk," he said.

Delta fails again

Delta, the Midlands-based electrical and engineering group, yesterday issued its offer document for George H. Scholes, the electrical engineering group, and was once more rejected.

Scholes says the £70m offer still fails to reflect its performance and potential.

Delta's document concentrates on what it sees as the threat posed by international competition and changing technology to the future profits of an independent Scholes.

Wood in talks

Shares in Arthur Wood & Son (Longport), the earthenware manufacturer, which two months ago were trading at under 100p, were suspended yesterday at 283p, valuing the company at £5.66m.

The company says it has received an approach which could lead to a change of ownership and that negotiations are continuing.

Tozer raises bid for Molins to a final £94.8m

BY TERRY POVEY

Tozer Kemsley & Millbourn yesterday sharply increased and made final its hostile bid for engineering company Molins, raising the value of the offer to £94.8m.

Responding, the target company rejected the improved offer, stating that the "new bid fails to take account of Molins excellent prospects and still has no industrial or commercial justification."

TKM, which is a subsidiary of the New Zealand-based Brierley group of companies, also announced that acceptances at the July 20 first closing date totalled 7.077m shares, 24.1 per cent of Molins issued ordinary capital. Of this total 7.05m was tendered by IEP, also a member of the Brierley group.

Describing the non-Brierley connected acceptances level as "derisory," Molins commented that this "indicates that TKM's offer was unacceptable" to its shareholders.

The increased offer is: seven TKM shares plus 230p in exchange for every four Molins shares or 300p cash. On the stock market yesterday heavy trading, more than 1.6m out of Molins 29.4m ordinary shares changed hands, pushed the target company's share price up 18p to close at 306p while TKM's price dropped 2p to 140p.

The shares plus cash offer values each Molins share at 302.5p and the cash alternative is underwritten by the Brierley group.

By declaring that it would not increase its offer beyond this level, "TKM hopes to force the issue to a conclusion," said Mr Reg Heath, its chief executive, yesterday. The next closing date is August 11 with the ultimate deadline being August 28.

Until it gets shareholders' approval at an extraordinary meeting on Thursday, TKM is only able to increase its stake in Molins to 30 per cent.

● Molins yesterday announced that it had won a $2.7m (£1.7m) order to supply the first heavy duty corrugated board production line to China and reached agreement for a joint-venture company to undertake the modernisation of China's corrugator production. A further £8m Chinese order for cigarette making machinery was also reported.

Small investors may miss out on BAA tender offer

BY RICHARD TOMKINS

A CUT-OFF price of about 280p is expected to be announced today for the tender offer of shares in BAA, formerly the British Airports Authority.

This price is the figure above which all bidders in the tender offer will receive shares. Bidders at the cut-off price will face a degree of scaling down so that applications match the remaining shares available.

A figure of 280p compares with a price of 245p for the shares in the fixed price offer. It is considerably higher than the top limit of 270p which many stockbraker's analysts had recommended to their clients, and will probably exclude most small investors from the allocation.

The likelihood that institutional investors will be left short of stock increases the probability of a strong first-day premium for holders of the fixed-price shares. Cleveland Securities, the licensed dealer, was quoting 147p bid, 152p offered yesterday for the 100p partly-paid shares.

The Government announced the results of the fixed price offer at the weekend and also said the tender offer had been six times subscribed. The decision on the cut-off price has been delayed by the need to achieve a precise count of the bids and clear cheques.

Boesky trusts sell 18% of Cambrian and General

BY NIKKI TAIT

An 18 per cent interest in the capital shares of Cambrian and General, the UK investment trust run by disgraced New York arbitrager, Mr Ivan Boesky, has been sold by the Boesky family trusts. It involves 2.8m shares.

The trusts have also parted with 300,000 ordinary shares—less than 1 per cent of that class of equity—and now have no on-going interest in Cambrian and General.

Speculation immediately centred on the purchaser(s) of the stake. The favourite candidate is Heine Securities, a New York-based mutual fund group which specialises in undervalued asset situations.

Yesterday, Mr Michael Price, chief operating officer of Heine, refused to comment, but pointed out that any additional shares purchased by Heine itself would have to be disclosed. It already holds about 9 per cent of the ordinary shares and 2 per cent of the capital.

However, Heine is also rumoured to be among the interested purchasers of the US Government's stake in Cambrian and General—shares which Mr Boesky handed over to settle charges of insider trading with the US Securities and Exchange Commission in November.

The stake involved here represents Mr Boesky's personal assets—rather than his family's interests—and consists of about 55 per cent of Cambrian's capital shares and 13 per cent of the more numerous and less valuable ordinary.

In early July, it emerged that the US Government had only received offers of $37m for its Cambrian stake, compared with the $50m it hoped to receive. Since then, the authorities have refused to comment, saying only that the shares are currently still held in escrow.

No price was given for family trusts' sale yesterday. However, in London—where the Cambrian and General quote was restored in early-June—the ordinary shares held steady at 136p while the capital added 1p to 223p, valuing their stake at £6.64m.

Kingsgrange placing values company at £20m

By Philip Coggan

Kingsgrange, the toiletries manufacturer which produces the Potter & Moore range, is joining the main market via a placing valuing the company at £20m.

The company was formed in 1982 by Mr Ian Aldred, formerly deputy managing director of Sodastream. Shortly afterwards, it acquired Jean Sorelle, which owned the Potter & Moore brand name. Around 30 per cent of its sales are now in the form of branded products like Potter & Moore, with the rest being own label sales to retailers such as Marks and Spencer, which accounts for 55 per cent of group turnover.

In the year to April 30, 1987, Kingsgrange made pre-tax profits of £1.21m on turnover of £12.9m, up from £948,000 on £11.04m in the previous year. Earnings per share were 7.78p (7.03p).

Schroders is placing 3.24m shares, 22.6 per cent of the enlarged equity, at 140p each. Most of the shares being sold are new and part of the proceeds will be used to pay off existing redeemable preference shares. The shares are on an actual tax historic p/e of 18 at the placing price. The tax rate last year was 21 per cent and is likely to increase to 30 per cent this year.

Dealings are expected to start on Monday.

Etam raises £34m to cut borrowings

BY NIKKI TAIT

IN ONE of the tightest fund-raising deals done to date, fashion retailer Etam yesterday raised £33.7m through a placing of 10.89m shares. Existing shareholders are being offered a clawback on the new shares.

The money wil be used to repay borrowings resulting from recent acquisitions and to finance store refits and refurbishment. However, Etam denied that a major acquisition was on the immediate horizon.

"We are keeping our eyes open, but there is nothing imminent," Mr Miles Drake, finance director, said yesterday.

The placing was completed yesterday morning at 319p a share. That represented a 4.9 per cent discount to Monday's closing price—much narrower than the company might expect on traditional rights issues—and, according to advisers County Bank, one of the tightest deals to date.

The actual placing of the shares was not helped by the sharp fall in the market overall yesterday morning, with Etam's price at one stage slipping to 322p. However, with the exercise completed by lunch-time, the shares recovered to 327p by the close.

Etam said that it had chosen the placing route because of the relative cost. In addition to the narrower discount, the deal will be completed more quickly. Moreover, directors, their families and trustees of Etam employees—who own about 20 per cent of the equity—have decided not to clawback and the underwriting commission on these 2.15m shares has been pruned to ½ per cent.

The company added that the security of its share register—"given that the directors' nil-paid rights could have been available and that the new shares represent one-fifth of the existing equity — had also featured in its thinking. Existing shareholders will be able to clawback on a one-for-five basis, also at the placing price.

The money will be used first to pay off £7.6m of debt which resulted from the purchases of the Snob chain of teenage fashion shops and the Peter Brown menswear shops, both of which had been trading in the red.

After that, Etam plans to experiment with combining two of its names — Etam/Peter Brown, Snob/Peter Brown, and Snob/Tammy Girl — on the same site, and to move all four types of outlet on one site in Sheffield. Beyond that, Etam envisages an extensive opening programme; "on the horizon, we see a chain of at least 50 Snob outlets and 100 Peter Brown," said Mr Drake. There are currently 14 and 28 respectively.

Etam added yesterday that it was pleased with current trading — saying that sales are well ahead of last year at this stage, and "comfortably exceed budget."

Joseph Webb profits rise by 73% to £0.53m

Joseph Webb lifted pre-tax profits by 73 per cent from £303,768 to £526,249 on turnover ahead from £5.84m to £6.8m in the year to March 31 1987.

The directors proposed a final payment of 0.4687p, making a total for the year of 0.6p. Last year Webb paid a final of 0.3797p to make a total of 0.511p. Earnings per 5p share rose from 0.8p to 1.3p.

Webb has interests in estate development, property investment and holidays and leisure.

The directors said that holiday interests in the UK made an increased contribution of £595,365 (£573,530) to the year's operating profits of £1.04m (£821,439). The recovery of amounts previously written off produced an apparent contribution of £55,250 from France.

Demand from Webb's new venture of caravan sales to private owners had continued to increase steadily.

Net rental income increased to £276,621 (£250,809) and has maintained steady progress. Satisfactory results have been achieved in agreeing rent reviews and lease renewals. Land sales made a contribution of £115,272.

Tax charges rose from £92,452 to £169,286. Preference shares took an unchaged £13,125.

Record £0.58m profit for Creighton Labs

Creighton Laboratories, USM-quoted manufacturer of "Natural Beauty" products, has produced a 21 per cent increase from £479,000 to a record £580,000 in pre-tax profits for the year to March 31 1987.

Mr Richard Collard, chairman, said that the first year on the USM—the company came to the market last September—had heightened Creighton's profile with customers, as well as providing an excellent capital base for the company's development.

He said that the negotiations to commence manufacturing for two more household names had been successfully concluded. The company was becoming ever stronger in the export field with continuing success in the US.

The current year had started on a sound footing with a full order book. Further premises had been acquired in Storrington and substantial investment had been made in new equipment to meet increased demand for the company's products. Mr Collard looked forward to the next year with great optimism

Turnover last year rose 25 per cent to £4.19m (£3.35m); tax took £208,000 (£204,000) leaving attributable profits of £372,000 (£275,000) for earnings of 10.5p (8.2p) per 20p share. There was an extraordinary item of £8,000 (nil).

The dividend will be a total of 3.7p with a proposed final payment of 2.5p.

Barbour Index beats forecast

Barbour Index, provider of information services to the construction and health and safety markets, returned pre-tax profits of £1.7m on turnover of £4.62m in the year to April 30 1987.

When the company obtained a full listing in February this year it forecast profits of not less than £1.6m. In its last full year of operations, which ended on October 31 1985, Barbour recorded profits of £1.15m on turnover of £3.84m.

The proposed dividend of 2.5p is as forecast and earnings per share amounted to 12.8p.

Mr Patrick Barbour, chairman, said that the growth of the company had been achieved by high customer renewal rates, the expansion of existing services and the launch of new ones. It was the company's policy to expand organically and through acquisition in existing and related fields. He was confident that this year's results would again show satisfactory financial progress.

Tax charges amounted to £639,000 and minority interests accounted for £102,000.

In the six months to April 30 1986 Barbour made £570,000 before tax on turnover of £1.14m. Earnings were 4.2p.

Waterglade profits in line with placing forecasts

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Waterglade International, the property company which came to the market last April, yesterday disclosed annual pre-tax profits in line with the forecasts at the time of the placing.

Pro-forma results for the year to end-March were £3.1m, compared with £1.19m for 1985-86. The pro-forma accounts have been drawn up to include a £1.9m contribution from Waterglade (Havant). This sum was earned before December 1986 when the remaining 75 per cent of its equity was acquired by Waterglade International.

The shares responded by firming 5p to 265p before settling back to 261p for a gain on the day of 1p.

Mr Ronald Nathan, the joint managing director, confirmed that Waterglade will declare its first dividends during the current year. An interim will be paid in January 1988.

BAe holdings

FOREIGN-HELD shares in British Aerospace are now at 14.38 per cent of the total, the company announced yesterday—just below the 15 per cent ceiling imposed by its articles of association.

BARLOWS: some 97.9 per cent of recent rights offer taken up; balance sold in the market.

BIOTECHNOLOGY Investments (investment holding company): Net asset value per share $2.34 (140p) up from $2.1 at year end on May 31, 1987. Dividend per share unchanged at 1c.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Meldrum Inv Tst int	1.2	—	1.1*	—	3
Barbour Index	2.5	Oct 1	—	2.5	—
Fleming Tech Inv	0.4	—	1.5	0.6	2.3
Creighton Labs‡	2.5	Sept 4	—	3.7	—
Hetton Hldgs	0.5‖	—	nil	0.5	nil
Wm Ransom	0.75	—	0.81*	1.15	1*
Temple Bar int	2.64	—	2.4	—	6.25
Joseph Webb	0.47	Oct 1	0.38	0.6	0.51

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Irish pence throughout.

Andam Resources joins Third Market

Andaman Resources, a Northern Irish mineral exploration company, which was previously traded under Rule 535 (3), is joining the Third Market via an introduction.

Andaman is concentrating its maximum exploration effort this year on prospecting for alluvial gold in County Down and County Mayo.

Wm Ransom ahead

William Ransom & Son, Hertfordshire-based manufacturing chemist, lifted pre-tax profits by 5 per cent from £592,000 to £624,000 in the year ended March 31, on turnover down from £6.25m to £5.62m. The comparisons are restated.

A final dividend of 0.75p is proposed compared with 0.81p adjusted for a nine-for-one scrip issue. This will bring the total for the year to 1.15p (0.995p adjusted). Earnings per 10p share worked through at 3.27p (4.03p).

The company's profit sharing scheme took £16,000 (£15,000) and the total tax charge was £114,000 against a £32,000 credit.

MELDRUM INVESTMENT TRUST reported net asset value at the end of June 1987 of 196.7p against 142.8p six months earlier. Net revenue came out at £739,046 (£678,698) for the six months to end-June, with earnings per share of 1.83p (1.68p adjusted). The interim dividend has been increased to 1.2p (1.1p adjusted).

Kentish Property listing

BY RICHARD TOMKINS

Kentish Property, a company specialising in residential developments in north and east London, is joining the stock market through a placing of shares which will value it at £36.7m.

Robert Fleming, the merchant bank, is placing just under 5m shares—a quarter of the total equity—at 185p each. The placing price is 14.8 times forecast earnings for the year to next December.

Kentish specialises in residential developments and conversions

The company's policy is to provide flats and houses which are out of the ordinary but blend with their surroundings. Completed projects include The Bowbrook School in Bow, Sutton Square in Hackney, Orchard Mews in Islington and Victoria Chambers in the City.

The prospectus shows profits taking a dip in 1984 because of higher-than-expected construction costs on Sutton Square. Since then the company has stopped doing its own construction work, and pre-tax profits before directors' additional remuneration rose from £949,000 to £1.2m in the year to last December.

In the current year, the company will be taking profits from developments at Watermint Quay in Clapton Common and Cascades in Dockland's Westferry Road, and pre-tax profits of £3.4m are forecast.

Some £2.1m of the issue proceeds will go to Kentish's chairman, Mr Keith Preston, and his wife Kay. The balance of £6.5m net of expenses will be used to cut the company's heavy short-term borrowings, leaving the debt/equity ratio at about 60 per cent.

Max Wilkinson in Ohio examines the reorganisation in the US of BP and Standard

Preparing for the fruits of marriage

"IS THERE life after Prudhoe?" That remains the big question for Standard Oil of the US after British Petroleum announced a new integrated management structure yesterday to consummate the union of the two companies.

Prudhoe Bay on the wild Arctic shore of north Alaska is where the US's largest oilfield was discovered in 1968, half of it acreage leased to BP. The British company exchanged its interest in Prudhoe for a majority per cent of the equity in Standard (then Sohio). Prudhoe and the smaller surrounding fields have been the backbone of Standard for the past decade, contributing almost 90 per cent of its \$2.95bn (£1.8bn) replacement cost operating profit in 1985, the year before oil prices collapsed.

But now, 10 years after the first oil was pumped from Prudhoe down the 800-mile transalaskan pipeline, output from the field has started its inexorable decline. Advanced recovery techniques, including the drilling of angled wells, and careful reinjection of high-pressure gas and sea water, may perhaps squeeze an extra 1bn barrels from this 11bn-barrel field. *But eventually,* when about 1,000 wells have been sunk through the spongy peat into the perma-frost below, nemesis will surely approach.

Standard has been successful in developing its new Alaskan field at Endicott on an enormous artificial gravel island three miles offshore—it comes into production this year on time and well below budgeted cost. But this field is relatively small, so the additional output will not make up for Prudhoe's decline.

The decision was, of course, foreseen years ago when it was first realised that Prudhoe would have a momentous impact on BP's fortunes, just about the same time that the company was reaping the benefits of the big fields found in the early days of North Sea exploration.

Sir Peter Walters, chairman of BP

Indeed, the "is there life after . . ." question confronts all major oil companies in one guise or another. If they want to remain big and profitable in the 15 years when present reserves run down, they must discover more oil or find another nice big earner.

Sohio did neither. From *Britannic House in London its* major shareholder looked on with increasing alarm as the US management seemed to make one false move after another, even though it was successful as an operator in the harsh Arctic conditions and maintained its historically strong position in refining and marketing.

Yet Sohio squandered a huge amount of its Alaskan cash flow in a largely unsuccessful effort to build up oil reserves in the lower 48 states of the US. It made a spectacular error of timing when it bought Kennecott, a copper mining company, just as the price of base metals was about to collapse. Then it was much too slow for BP's liking to acknowledge its mistakes and to make the painful cutbacks which had become necessary.

Last year's collapse in oil prices provided the crisis which enabled BP to gain the assent of Standard's independent directors for a purge of top management, which was replaced headed by a team from England led by Mr Robert Horton. He was the man who closed 20 of BP Chemical's plants and cut its workforce by 60 per cent earlier in this decade.

He acted with similar decision at Standard, selling off poor oil leases and unproductive assets, renegotiating a key labour contract at Kennecott, pruning staff and generally shaking up middle management with a programme of retirements and promotions.

Then, as the oil price stabilised this spring, BP made the bold decision to bid \$7.9bn for the 45 per cent of Standard that it did not already own. One of the main motives was to enable the British top management to get direct control of the large positive cash flow from the Arctic and so to formulate a more integrated "life after..." strategy.

But BP was also animated by that predatory instinct of all oil companies to become ever bigger and more powerful. The completed merger puts BP decisively into third place, ahead of Mobil and behind the two giants, Shell and Exxon.

BP appointments

Charles H. Bowman, president of Old Ben Coal Company, joins the board of BP Coal.

E. John P. Browne, executive vice president of BP America, and William J. Johnson, president of the Standard Oil Production Company, join the board of BP Exploration.

J. Douglas Campbell, president of the Standard Oil Chemical Company, joins the board of BP Chemicals International.

Frank E. Mosier, president of BP America and John G. McDonald, president of Sohio Oil, join the board of BP Oil International.

J. Colin E. Webster, executive vice president of BP America, joins the board of BP Minerals International.

It also makes BP a truly international oil company. As Sir Peter Walters, the BP chairman, said here yesterday: "Our post-merger assets in the States amount to some \$20bn, over three times the size of those in the UK."

But a large part of that \$20bn is far away on the 700 square mile oilfield on that desolate plain between the Alaskan mountains and the Beaufort Sea. *BP will hope, as* other US oil companies do, that Congress will soon open up the nearby Arctic National Wildlife Reserve for oil exploration. But oil has yet to be found there and would certainly take many years to develop.

BP must therefore concentrate on the short-term pursuit of profitability. The reorganisation announced yesterday aims to put this at the centre of its corporate agenda by grouping Standard's and BP's US operations in a matrix of semi-autonomous companies. The organisation follows the pattern adopted successfully by BP elsewhere.

Broadly it will emphasise BP's leading role in exploration and production while playing to Standard's greater strength in the downstream part of the business.

The major change will be that every part of the empire must compete for investment funds, ultimately answerable to the centre, although each company will be given considerable operational autonomy.

In this way, Sir Peter hopes that Standard's profitability will be rebuilt in a similar way to that achieved in BP in its recovery phase after 1979.

This will enable the group to build a strong strategic position and accelerate retirement of its debt. This will in any case be significantly reduced by the £1.5bn rights issue announced yesterday.

What then? Acquisitions? More diversification, like the successful expansion of animal feeds last year? Or will BP keep going for oil while trying to expand its limited portfolio of gas assets? No doubt all avenues will be pursued, depending on the company's assessment of prices and other strategic factors.

At the turn of the year, Sir Peter said that "unit profitability" was his goal. No doubt it still is; but there is *no mistaking* the more aggressive, expansionist tone that BP is now taking.

Yesterday Sir Peter was saying: "The whole thinking behind the acquisition of the Standard minority has been to create a base for even further expansion. *This is* now what we are in business to do — both here in the States and throughout the world."

Yet Sir Peter knows that as the big oilfields run out BP will have to run quite fast just to stay in the same place.

APPOINTMENTS

Chief executive at Leeds Permanent

Mr Mike Blackburn, who recently finished his secondment from Lloyds Bank as chief executive of ACCESS (the joint credit card company), is to join the LEEDS PERMANENT BUILDING SOCIETY. He will become the chief executive of the society on the retirement of **Mr Peter Hemingway** in the autumn.

★

At RANKS HOVIS McDOUGALL, **Mr Paul Coker** has been appointed to the board. He will succeed **Mr Tim Howden** as planning director and will continue with his other current responsibilities.

★

Mr David McWilliam has been appointed chief executive of LONDONCLEAR, the company recently formed to establish a central depository and clearing system for the London money market. He was formerly head of regulatory services at the Corporation of Lloyds, and prior to that, he was managing director of R. P. Martin.

★

Mr David Bonham has been appointed main board director, HODGSON HOLDIN(•. He is responsible for the East Midland and South East regions. He joined Hodgson Holdings in 1980, having previously worked for Ann Bonham & Sons for 12 years prior to its acquisition by Hodgson.

★

METIER MANAGEMENT SYSTEMS has appointed **Mr Jeff Graham** as managing director, UK operations. He joined Metier in April 1982 as utilities marketing manager in the US before becoming UK northern regional sales manager in April 1986. He replaces former managing director, **Mr Richard Lloyd**, who has resigned for personal reasons.

★

Mr Alan Clark, Trade Minister, has appointed **Mr Peter Leslie**, deputy chairman and managing director of Barclays Bank, as chairman of the EXPORT GUARANTEES ADVISORY COUNCIL in succession to **Sir Jeffrey Benson**, who has retired from the council on completion of his term of office. **Mr Timothy Sallitt**, a director, of Hawker Siddeley Group, has been appointed deputy chairman of the council in succession to Mr Leslie. Mr Leslie, who was previously a member of the council from 1978 to 1981, rejoined as deputy chairman from September 1986. Mr Sallitt became a member of the council in June 1986.

★

At WILLIAM DAWSON (HOLDINGS), **Mr Peter M. Brown** joined the board on July 1 as a non-executive director. Mr Brown is a director of Associated British Industries, Reward Regional Surveys and a number of private companies. **Mr Wally Crossland** has retired.

★

Mr John Bower, chairman of KIER'S southern regional companies, will retire at the end of August. **Mr Alan Baird**, chairman of Kier's companies in London and the south east, will succeed him. **Mr Roy Stevens**, who relinquished the chairmanship of Kier companies in London to concentrate on strengthening on co-ordinating Kier's marketing drive, returns to chair the London and south east companies. He will continue to assume board responsibility for Kier's marketing operations. Kier is the contracting division of C. H. Beazer (Holdings).

★

The man who was managing director of the Hillards supermarket chain until its takeover by Tesco, is to join the POUNDSTRETCHER GROUP to head its expansion programme and move it up-market. He is **Mr Robert Dowds**, who will take over as managing director in mid-August.

Isle of Man Enterprises cuts losses

Isle of Man Enterprises, operator of holiday accommodation, substantially reduced its pre-tax losses from £55,349 to £18,169 in the six months to April 30 1987. At the year end, the company reported pre-tax profits of £115,000.

The directors said their decision to pursue an active *policy of expansion is already* showing through in these improved results.

They are continuing this policy and are positively exploring a number of potential opportunities for further growth. Given the acquisition of Whitestone Garage and Shoprite Petrol, they look forward with *confidence to a very substantial* improvement in the company's results for the full year.

Turnover and other income in the opening half rose from £54,246 to £135,373, and net income amounted to £26,317 against a deficit of £9,169. The loss per 20p, stock unit was 1.46p (4.57p).

Tip Top Drugstore £700,000 shortfall

By Steven Butler

Tip Top Drugstores, the drugstore chain in North England and Scotland, yesterday said that an unresolved £700,000 shortfall had been uncovered between pre-tax profits indicated in its year-end financial accounts and those indicated in management accounts that had been prepared monthly through the year, which ended on May 30.

The discrepancy is under investigation by the company and its auditor. Tip Top's shares slumped 20p to close at 171p subsequent to the announcement, although neither profit figure was disclosed.

Tip Top's pre-tax profits in the six months to the end of November were up 23 per cent to £758,000. Analysts had been expecting full-year profits of about £1.6m. Mr John Marsden, finance director, said yesterday that year-end results would be announced after the investigation had concluded.

Pineapple in US

PINEAPPLE Group's US subsidiary has acquired two marketing services companies in New York, BMS Marketing Services and Infinite Image. The initial cash consideration for BMS was $400,000 (£250,000) and $600,000 (£375,000) for Infinite. Deferred consideration will be payable, based on future profits and performance, in the periods up to November 30 1988.

James Hardie

JAMES HARDIE Industries is to dispose of its 30 per cent holding in UAC Berhad in Malaysia. It is expected that the sale will generate $25m. Mr James Marchie, managing director, said that the sale would release funds for expansion of the group's core business activities in Australia and elsewhere overseas.

Whitbread

WHITBREAD shareholders were told at yesterday's annual general meeting that despite poor spring and summer weather, beer sales were only a fraction behind last year. The wines and spirits businesses continued to improve.

Courtaulds

COURTAULDS chairman told the annual meeting the company's businesses were continuing to perform strongly and were in line with expectations. There were one or two factors which were less favourable than they were last year. The company nevertheless remained encouraged by the start made in the current year.

Reed progress

REED INTERNATIONAL's first quarter profit continued to be satisfactory and in line with expectations said the chairman at the annual meeting. This was against a background of a slowly improving US economy and a reasonably buoyant UK one.

Contibel

TRACTEBEL GROUP BRUXELLES LAMBERT said they owned or had acceptances for shares representing more than 50 per cent of Contibel's capital. Accordingly the offer had become unconditional as to acceptances and is therefore now unconditional in all respects.

Temple Bar makes novel issue to raise £22.3m

BY MIKE SMITH

Temple Bar Investment Trust yesterday announced plans to raise £22.3m through an innovative rights issue of convertible stock which shareholders will be able to require the company to redeem.

Although this type of stock has featured in Eurobond issues, the trust's corporate finance advisor Hoare Govett said that the issue was the first of its type in the UK domestic market.

Temple Bar's results for the six months to th eend of June, also announced yesterday, show net asset value per ordinary share rising by 43 per cent to 297p. Profits before tax fell from £2.62m to £2.54m.

An interim dividend of 2.64p, 10 per cent up, was declared and the shares remained steady at 269p.

The trust is making its call on shareholders in part to repay a loan which financed the recent £11.8m acquisition of 16 office, retail and warehouse properties and other short-term borrowings. The balance will be invested in line with the company's policy of concentrating on equities with yields above the FT Actuaries All Share Index.

Temple Bar is issuing up to £22.9m of 6 per cent convertible loan stock 2002 at par on the basis of £2 nominal of convertible for every five ordinary. The stock will be convertible into ordinary at the rate of one ordinary for each £3.17 nominal of convertible stock.

The novel feature of the issue is that it offers insurance against Temple Bar underperforming because it allows stockholders to call on the company to redeem the stock in 1992. The redemption price would be £1.17 per £1 nominal of convertible stock, giving a semi-annual yield of 8.77 per cent.

Professor Roland Smith, chairman, said the issue offered shareholders the best of both worlds.

"Stockholders can participate in the growth of the company through the conversion option, while retaining protection against the possibility of adverse market movements through the five-year put option," he said.

In his interim statement, Professor Smith said the differing results for profits and capital were directly related. The company had been geared to take advantage of the rising UK equity market and the rate of capital growth had exceeded income growth.

The higher level of borrowings resulting from this str?ce and the purchase of the property portfolio had increased the amount of interest payable. The trend in income from underlying investments continued to rise and the company expected the income position to improve in the second half.

After tax of £789,000 (£721,000) earnings per share were 3.024p (3.277p).

P&O offers plan for Euroferries stock

BY NIKKI TAIT

P&O, the shipping and property group which earlier this year acquired control of Townsend Thoresen parent European Ferries, yesterday unveiled a scheme through which Euroferries concessionary shareholders would switch into a new class of P&O concessionary stock.

P&O says the scheme is being put forward for administrative reasons. At present, the company is obliged to arrange separate annual reports and meetings for the Euroferries shareholders. The scheme will require the approval of both P&O stockholders, Euroferries shareholders as well as court sanction.

The Euroferries' concessionary stock, which is quoted on the stockmarket, came into being in 1984. In an effort to curb the costs of the "cheap fares" perk enjoyed by shareholders, the company split its equity into new preference shares, which enjoyed the concessionary rights, and ordinary shares, which did not, and invited existing shareholders to choose.

However, in the face of considerable opposition, Euroferries was obliged to amend its original proposals in particular to drop directors' ability to terminate the concessionary scheme after 1999.

Today, there are about 130,000 holders of the 66m concessionary shares, enjoying a 50 per cent discount on Townsend Thoreson ferries. P&O is offering them £1 of P&O concessionary stock per share, which will give them the same rights to cheap fares. The P&O stock will also earn a slightly higher dividend — 5.5 per cent net against the current 5 per cent, and will again be quoted.

However, the shareholders' voting rights in PO will be a one vote for £4 of stock basis, so they will speak for about 5 per cent of the shipping giant. P&O argue that the ratio of voting rights is in line with that accepted by former Euroferries ordinary shareholders.

Hogg Robinson optimism at defeating TSB offer

BY NICK BUNKER

Hogg Robinson, the insurance broking, travel and estate agency group, says it is gaining ground in talks with major shareholders aimed at beating off the hostile cash offer worth 600p per share from TSB, the banking group.

Mr Andrew Alers-Hankey, Hogg's group finance director, said proxies received so far were heavily in favour of Hogg's alternative plan for a demerger into two separate public companies, Hogg Robinson pls and Hogg Robinson & Gardner Mountain. That plan is to be put to a vote at an extraordinary general meeting next Monday.

Mr Alers-Hankey added that the tide "was beginning to turn in our favour" after a first round of meetings with some of Hogg's 100 institutional shareholders. Hogg has a further 4,000 individual shareholders.

Lazard Brothers, TSB's merchant bank advisor, said Mr Alers-Hankey's impression was not reflected in the TSB's own talks with institutions.

"Most of them are saying they will make up their minds at the last minute," Lazards said.

Hogg's share price closed up 11p at 636p last night. Hogg Robinson yesterday wrote to shareholders dismissing the TSB's bid as "inadequate in value" and not in the best interests of investors.

The TSB's plan is to keep Hogg Robinson's travel, estate agency and UK retail financial services business. It would then sell its Lloyd's and US broking side to Dewey Warren, a small reinsurance broker 42 per cent owned by Bell Group International, the investment vehicle of Mr Robert Holmes à Court, the Australian financier.

Hogg's letter said that the TSB's plan would mean that Hogg's present shareholders "would be unable to participate in the future growth of the two separated Hogg Robinson companies.

"Furthermore, in present market conditions there can be little attraction in being required to sell a good investment for cash, or, as an alternative, loan notes when, depending or your circumstances, this may result in a liability to capital gain tax."

Charterhall in the black with £3.7m

By Terry Povey

Charterhall, the oil and gas company which has been transformed into an investment vehicle b Mr Russell Goward, the Australian entrepreneur who became chairman a year ago, has reported interim profits of £3.7m to June, compared with a loss of £6.25m affected by write-downs.

Over the last 12 months Charterhall has accumulated stakes in five UK-quoted companies—spending £15.2m taking a 25.83 per cent holding in Trillion, 16.6 per cent of Allebone, 6.59 per cent of Bridport-Gundry, 5.18 per cent of A. Goldberg and 5.16 per cent of The House of Lerose plus a number of smaller investments. The company said that as of June 30 this portfolio had a market value of £21m.

The best of Charterhall's remaining oil producing assets have been written down to a net value of £19.5m. In the six months oil sales produced gross profits of £757,000 (£330,000).

Since a £9.6m cash subscription for a shares deal in June 1986, Charterhall has been 53 per cent owned by Westmex, the quoted Australian investment holding company in which Mr Goward has a 30 per cent holding

As with its parent, Charterhall takes gains on investments into pre-tax profits—the £4.03m (£149,000) "other operating income" taken pre-interest and expenses being buoyed by the company's £600,000 (net of all costs) profit on the sale of its 14.9 per cent holding in Lookers in February.

The pre-tax total was struck after administration expenses of £844,000 (£1.3m) and net interest paid of £229,000 (£571,000). In the first half of 1986, oil and gas provisions plus exploration cost writedowns totalled £5.6m.

After minimal taxes paid of £36,000 (£87,000) thanks to Charterhall's losses, attributable profits were £3.7m (£6.25m losses), producing reported earnings per share of 3.01p (loss of 10.9p). No interim dividend is being paid.

In a statement to Westmex's Australian shareholders, Mr Goward points to the reduction of overhead costs at Charterhall, the sharp fall in exploration commitments to under £300,000 compared with almost £3m a year ago and the company's move into cheaper London offices.

Throgmorton USM Trust assets rise

By Philip Coggan

Throgmorton USM Trust, investment trust specialising in the Unlisted Securities Market, yesterday announced a 65 per cent growth in net assets during the first six months of its year.

Net assets per share at the interim stage were 194p, 81 per cent higher than a year previously. That compares with a rise in the FT All-Share Index in the same period of 41 per cent and in the Datastream USM Leaders Index of 60 per cent.

When the trust, which has a seven-year life, was launched on the main market eighteen months ago, about 32 per cent of the ordinary shares were left with the underwriters. Last night, the shares stood at 187p.

Earnings per share were 0.64p (1.78p) and again no interim dividend is being paid.

Abaco in £10m quantity surveying acquisition

BY PHILIP COGGAN

Abaco Investments, the acquisitive financial services group, has bought again. It is paying a maximum of £10m for Mott Green & Wall, a quantity surveying firm.

MGW specialises in mechonical and tlectrical services quantity surveying and has hopes for future growth via the refurbishment of offie buildings and through construction projects like shopping malls and public building works.

In the year ended June 30 1987, MGW achieved net pre-tax profits of £664,000. Initial consideration will be £6.5m, £3.5m payable in cash and £3m via the issue of 4.1m Abaco shares. Further tranches up to the maximum will be payable dependent on future profits.

British & Commonwealth Holdings has a 27.5 per cent stake in Abaco.

BOARD MEETINGS

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Allied Textile, Fleming Fledgeling Investment Trust.

Finals: Arlen, Beapak, Border Television, rBaswey, Menvier Swain.

FUTURE DATES

Interims—

Appleyard	Aug 13
Berkeley Govett	July 30
British Vita	Sept 9
Commercial Bk. of Near East	July 30
Control Techniques	July 27
Cowie (T.)	Aug 4
Johnstons Paints	July 23
Midland Bank	July 23
Mount Charlotte Inv.	July 28

Finals—

Banks (Sidney C.)	July 30
Cap Group	July 23
Cowan de Groot	July 27
Forminster	July 31
Great European Stores	July 23
Mountleigh	July 27
Scottish, English and European Textiles	Aug 6
Stewart and Wight	July 30
YRM	July 30

JOBS

Work in high-tech, OR, venture fund etc.

BY MICHAEL DIXON

UNTIL the other day I assumed James Thurber was joking when he described the anxieties that gripped him when people said things they might or might not really mean.

But I have lately had first-hand *experience of the alarm* and despondency that can be created by such incidents. It's the uncertainty that gets you, and thereafter keeps you awake at night brooding.

Take for instance Thurber's reaction when his housekeeper burst into his study and declared there was something wrong with "the doom-shaped thing in the kitchen."

It is true that a perfectly harmless explanation was possible. She might simply have made a slight terminological mistake in referring to the kitchen water-cooler which was topped by a dome.

Then again, however, she might not. And although Thurber had not himself noticed anything untoward lurking among the pots and pans, that was no guarantee of safety. One does not need to read much of the world's great literature to be struck by the regularity with which doom-shaped things are overlooked by the people whose doom they are portending.

The parallel event in my case was the *arrival of a letter from* Andy Ednie, managing director of Qualitair (Air Conditioning) of Sittingbourne. Since the large part of what he had to say was informative as well as affable, *I* at first thought I hadn't anything to worry about. Then I came to the last paragraph, which read:

"I enjoy your column very much and find it a useful borometer *of current* attitudes *on* employment."

Now, given the way that sentence begins, the key word which comes later may be just a misprint. But having been exposed to many managing directors in my time, *I* know of their penchant for wrapping up bits of barbed wire in their bouquets.

So it may equally be that by "borometer" Mr Ednie really *means a* borometer—and while I have never yet seen such an instrument, I am under no illusion about what it must measure. Indeed the implications are such that I'd rather go on wondering which is the *truth* than *pick* up the telephone and find out.

Software chief

GEOFFREY KING of Cambridge Recruitment Consultants has been asked by a company just starting up in his balliwick to find it a general manager. As he may not name his client he, like the other headhunters to be mentioned *later, promises to abide by any* applicant's request not to be identified to the employer at this stage of the proceedings.

The company has been set up by half-a-dozen people, all engaged in running other businesses in the high-technology field, who have devised ways of producing educational software which can be run on pretty well all the computer systems in*stalled in schools* throughout Europe. Development of the first products, concentrating on science-side subjects, is already well under way in the hands of the existing team of 18 mainly technological whizz-bangs.

Responsible to the six-strong founding board, the newcomer will first have to build up the organisation by recruiting the marketing, publishing and other skills the company will require *to* mount *its* assault on the Europe-wide educational markets. Thereafter the job will be to ensure that the operation swiftly achieves and maintains profitability.

Although there is a need for understanding — as distinct from specialist knowledge — of the relevant technology, the prime qualifications are marketing and sales ability together with skill in managing highly *innovative people. If candidates* are already running a successful Europe-spanning business which encompasses software, publishing and education, so much the better. If not they should at least be managing sales and marketing in an organisation of similar kind.

The salary indicator is £45,000, with stock options as well as car among the fringe benefits.

Inquiries to Mr King at 1A Rose Crescent, Cambridge CB2 3LL; telephone 0223 311316, Fax 0223 316152.

Egghead

NEXT to a post being offered by the John Courtis and Partners consultancy in terms of a rich mix of metaphors. Not only is the job with a "blue-chip" employer in almost "green-field" conditions, but it is for a "high-level egghead" (most of those I meet seem to be of the scrambled variety).

The recruit will be based in *Buckinghamshire as operations* research manager of an off-shoot of a financial services group which is seeking to break into new markets and otherwise broaden its business. Responsibility is directly to the marketing manager. The prime task of the job is to plan and carry into effect a direct-mail marketing campaign covering the several million people listed in the group's database.

Hence an interest in marketing and a commercial approach to operations research work will be *of* the essence. Candidates should also have at least a bachelor-level degree and pre*ferably a postgraduate qualifi*cation in statistics, perhaps initially in combination with pure mathematics. A further requirement is experience of applying statistical techniques, *especially* regression *analysis*, in direct-mail or market-research operations.

Starting salary will be around £22,000. The perks will include a car.

Inquiries to consultant John Gregory at 855 Silbury Boulevard, Central Milton Keynes, MK9 3ND; tel 0908 663692, Fax 0908 690061.

Midlands

A MIDLANDS venture capital fund-management company is seeking a senior case manager through recruiter Keith Phillips of Deven Anderson and Associates (Berwick House, 35 Livery St, Birmingham B3 2BP; tel 021-233 3320, telex DAA 338024).

Success in general management in engineering or science-based industry is essential. A *degree in a technical subject* or in management would help. Rewards negotiable from £40,000.

Sales boss

HEADHUNTER Brian Standring is looking for a sales director for a foods manufacturing and marketing company headquartered in west London. Its products, both branded and *own-label, are distributed* internationally and the newcomer will be responsible to the managing director for developing the entire sales operation from strategy planning to leading by example in personally selling to key accounts.

Candidates should already have managed an effective national sales operation in the field of fast-moving-consumer-goods, ideally foods. The company places special importance on people-management skills such as not only eliciting the views of subordinates but actually listening to them as well. Those fluent in French *or* another *major European* language would have an advantage.

Salary £30,000-plus with car among other benefits.

Inquiries to Standring Executive Search Associates, 83 Wycombe Road, Marlow, Bucks SL7 3HZ, telephone 06284 5931, telex 847159 Marlow G.

Money

A *DIRECTOR* to lead the currency options and futures activities of the London branch of an international money-broking group is sought by recruiter John Williams (Russell, Williams and Associates 43-45 St Mary's Road, London W5 5RQ, Tel: 01-579 1082). Tasks include starting a new interest-rate options development.

The recruit will have a successful record in similar work, *backed by at least six years* foreign-exchange experience.

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Interested applicants should contact **Stephen Cussens on 01-404 5751** or write to him in strictest confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH quoting reference 6011.

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Please reply in the first instance, quoting reference 838, to Keith Fisher at Overton, Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Telephone: 01-248 0355.

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Working largely on his/her own initiative but reporting to a Senior Legal Advisor, the Commercial Lawyer will quickly become involved in a far reaching range of activities which include dealing with contractors/suppliers and a whole host of organizations involved in this multi-million pound venture. It is essential that the person appointed has the ability to handle a multitude of exercises whilst working against strict deadlines.

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The Banking Services division of this well respected European Bank has seen, and is likely to continue, a period of tremendous growth. The intention is to build on that expansion by appointing a further, managerial level, UK business getter. Ideal candidates, probably in their late twenties, will already have at least a year's marketing experience, handling deals of a less than straightforward nature. But marketing skills will be insufficient in isolation; to meet a proven philosophy which dictates absolute product knowledge, you will require extensive experience of technical aspects to match the commercial awareness and market orientation on which our clients insist. The enthusiasm of the current team is born out of genuine satisfaction at working in an atmosphere where short lines of communication, quick decisions and teamwork combine to produce a highly motivated enironment. The financial package, which includes the provision of a car, has been designed to attract top calibre candidates who are also looking for the unquestionable career advancement on offer.

To talk about this opportunity or to arrange an exploratory meeting at our City offices, please ring Malcolm Lawson on 01-493 5788 during the working day or 0444-73216 in the evening. Alternatively, send us your full career details.

LINK 13/14 Hanover Street, London W1R 9HG.
Link City Search & Selection Ltd.

Foreign Exchange Operations

Assistant Manager

Currency Positions

We wish to recruit an Assistant Manager to supervise a team of up to 15 Position Keepers within our busy Operations Department. The successful candidate will have overall responsibility for the daily maintenance of our foreign currency positions. This will involve regular contact with our correspondent banks and other areas of the group including our Treasury Division.

Applicants should be aged 30-40 with at least 5 years' relevant experience within a medium to large sized bank.

The post will offer excellent career opportunities for the successful candidate.

In addition to a competitive salary, the benefit package includes mortgage subsidy, company car, BUPA and non-contributory pension scheme.

Please apply in writing with full C.V. to:

Sioned Exley, Personnel Officer, Kleinwort Benson Limited, P.O. Box 191, 10 Fenchurch Street, London EC3M 3LB.

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DŴR CYMRU

THE WELSH WATER AUTHORITY

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The Welsh Water Authority is responsible for the safe and efficient operation of assets valued at £1.8 billion supplying water to over 3 million people as well as treating and disposing of sewage and trade effluent within its area. In addition, it has responsibility for preventing pollution in streams and rivers, for effecting flood alleviation and land drainage schemes and for developing fisheries and recreational opportunities on inland waters.

It has an annual turnover in excess of £200 million with a capital expenditure programme of £1 billion between now and the end of the century.

The Government intend privatising the water industry and Welsh Water now seek a dynamic and commercially astute professional to lead a highly motivated team initially during the transition period from public ownership to private ownership and afterwards during the post-privatisation period of greater commercial freedom.

The ideal candidate will be professionally qualified with considerable experience at a senior managerial level in a large, successful organisation.

An appreciation of the special factors associated with a monopoly service industry would be an added advantage.

The challenge is considerable – the rewards can be commensurate.

Please write with full personal details and career history to **John Elfed Jones Esq CBE, Chairman, Welsh Water Authority, Cambrian Way, Brecon, Powys LD3 7HP.**

Closing date 1st September 1987.

Jonathan Wren

PRIVATE CLIENTS ACCOUNT OFFICERS

£20,000 to £30,000

In order to maintain the position of world leaders in international banking, our client wishes to recruit several individuals with extensive experience of marketing private client banking services within Europe.

Fluency in a European language is essential as is the drive and personality required to succeed in an organisation where promotion is wholly dependent on personal achievement. **Contact Sarah Stone.**

SENIOR CREDIT ANALYST

£20,000

Our client, a leading international bank, is seeking a senior analyst with considerable experience of corporate analysis, loans documentation and limited marketing exposure. Owing to the seniority of this vacancy, previous supervisory skills are essential. **Contact Norma Given.**

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
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This is an ideal opportunity to join a small highly professional team providing actuarial and benefit advice. With an established and expanding client base incorporating many blue chip companies, you will frequently be operating at board level and will be supported by tax specialists, accountants and other actuaries.

You will probably be working as a consultant at present, but seeking the chance to demonstrate your own ability and flair through personal contact with top management teams.

The package on offer will be extremely attractive and will not be a limiting factor for the right candidate. Opportunities for progression and partnership will also be excellent.

Those wishing to discuss this position prior to making application should telephone Alannah Hunt on 01-407 8989. Alternatively, send full CV quoting reference MCS/6105 to her at

Executive Selection Division
Price Waterhouse
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Price Waterhouse

Back Office Manager

Stockbroking £60,000 package, negotiable

Our Client is a medium sized City of London stockbroking subsidiary of an investment bank, it has a very well established UK client base.

The manager will be responsible to the Board for the efficient running of all back office functions including settlements, data processing, liaison with financial management, personnel management, recruitment, training and Stock Exchange regulations/compliance.

Candidates must have extensive securities industry or banking experience, a general 'back office' management background and be technically first class. They should be confident that they are of general management potential. Remuneration is negotiable. Please either telephone Terry Fuller on 01-480 7766 during office hours, or 01-693 3739 at home for a strictly confidential discussion, or write to him with salary details and quoting reference LM928 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

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UK Merchant Bank

MANAGER – UK CORPORATE BANKING

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Our client is a well known and prestigious merchant bank, which is particularly renowned for the depth and range of its banking services to small and medium sized companies.

This is a senior position within a small department which provides a range of conventional and specialist banking products both to established and fast growing companies in the middle market. The emphasis is on building close banking relationships and in structuring and providing a range of innovative "one-off" solutions to meet client needs. The department's increasing involvement in the financing of management buy-outs is also of particular significance.

Ideally, candidates will be commercial bankers (aged late 20's — early 30's) who have very strong credit and lending skills but lack the freedom to use these skills fully. It would suit someone with experience of marketing to this sector who enjoys working in a relatively unstructured environment. This allows considerable room for individual effort and creativity.

For further details please contact Kevin Byrne on 01-248 3653 during office hours (01-874 9982 evenings/weekends) or send a detailed CV to the address below. All applications are treated in the strictest confidence.

60, Cheapside, London EC2V 6AX

BBM
ASSOCIATES

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Credit Officers

International Merchant Banking

Security Pacific National Bank's International Merchant Banking Group, which is headquartered in London is seeking to appoint Credit Officers at varying levels to assess new and existing banking capital markets business with sovereigns, corporates and financial institutions. One of these positions will involve some relationship marketing.

The ideal candidates will have:

- Appropriate experience of European corporates and financial institutions
- Strong analytical skills
- A degree/AIB or equivalent
- Familiarity with documentation
- Undergone a formal credit training programme, preferably with a major US Bank
- Some asset based and project related experience

Remuneration, which consists of comprehensive banking benefits, including a profit sharing scheme will be particularly attractive to candidates with strong potential, who are self-motivated and eager to succeed in a competitive environment.

Please write with a c.v. to:
Patrick J. O'Hara, Vice President,
Security Pacific National Bank,
4 Broadgate, London EC2M 7LE.

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OPPORTUNITIES FOR FOREX DEALERS

To speculate, not postulate

Our client, one of the new breed of enlightened US *regional* banks, is intent on increasing the profitability of the dealing room which currently successfully covers a wide range of trading activities, without touching upon the Inter Bank Spot markets. There are few prejudices as to how the enhanced return will be achieved – that will, to a large extent, be the responsibility of the senior dealer – but true professionalism has formed a major part of success to date and that aspect will not be diluted. Initially there are two opportunities of interest to real traders with a background of non-corporate dealing in major currencies.

Senior/chief dealer

The title is irrelevant; the job in hand is to set up a new Forex section, initially with one other trader. Ideal candidates will be no more than thirty and have around five years' experience in at least one major currency as well as knowledge of other *markets*. Essentially, this is a speculative role and so the qualities of the hungry, market place trader are all needed; but in addition we need management skills, a forward thinking cerebral approach and a personality which will fit the current team-spirited environment. All that is a lot to ask, but in return our clients are offering a remuneration package which will attract the best. (Reference LC 7155)

Dealer

Still at a high level, but reporting to, and very much working with, the senior dealer, you will need the same qualities outlined above but with a little less experience, probably restricted to one currency. The role will be to run your own book in a major currency which suits your background and experience – a good ECU trader would be of particular interest. It is essential that you are currently dealing in a major currency – at this point we have little room for the *exotics*. Again, salary expectations are unlikely to disappoint and career opportunities are first class, within an organisation whole-heartedly committed to building a highly professional, profitable Forex team. (Reference LC 7156)

To talk about these opportunities or to arrange an exploratory meeting at our offices, please ring Malcolm Lawson on 01-493 5788 during the working day or 0444-73216 in the evening. Alternatively, send us your full career details, quoting the appropriate reference.

13/14 Hanover Street, London W1R 9HG. Telephone 01-493 5788.

Link City Search & Selection

Director of Marketing

City — Leasing/Asset Based Finance — City

A progressive and diverse international banking Group is seeking a Senior Executive to take over Marketing responsibility for its UK Leasing/Asset Finance company.

Based in the City, you will report to the Chief Executive responsible for Leasing/Asset Based Finance. Whilst predominately UK related, you will be encouraged to be innovative and develop cross border business.

Currently working in the leasing division of a banking Group, you will have a minimum of 3 years experience in the leasing of capital equipment and a sound knowledge of the medium/big ticket market place. A strong marketing orientation is essential.

A competitive salary is offered, with performance related bonus, together with a car and usual bank benefits. Applications should be sent to Charles Earp of Cripps, Sears & Associates Limited, Personnel Management Consultants, International Building, 71 Kingsway, London WC2B 6ST. Telephone 01-404 5701.

Cripps, Sears

SHARE DEALERS

EYAS SECURITIES LIMITED

We are a member of a small but Dynamic expanding group of companies involved in financial services. As a result we have a number of vacancies in our equity dealing room in London for experienced and trainee dealers in securities, who must meet the highest standards as required by FIMBRA of which we are a member.

If you seek an opportunity for high income, progression into management and would enjoy all the benefits of working in a highly professional environment and the challenges of meeting the increasing demand in this rapidly expanding industry, then please send your CV and full details to:—

Brian Pyat, Eyas Securities Limited,
15, Borough High Street, London SE1 9SE.

All enquiries will be treated in the strictest confidence.

FIMBRA

طبق الأصل

Lawyers for International Financial Work

Based in London, but working closely with our overseas offices in New York, Paris, Hong Kong, and Brussels, Linklaters & Paines is one of the leading law firms advising on international capital markets work including Eurobonds, securitisation, swaps, repackaging and loans.

We are looking for dynamic young lawyers, interested in the commercial as well as legal aspects of international finance, to join that team.

The work is demanding. The hours can be long. And a strong sense of dedication, team spirit and good humour are essential qualities – as well as enjoyment of high profile work.

But don't be put off by lack of experience. We provide a thorough and continuous training, both in relation to transaction work and through the firm's extensive in-house seminar and lecture programme.

We offer substantial responsibility for major transactions, opportunities for global travel and postings abroad, unique exposure to the international financial markets, and, of course, excellent salaries and prospects.

Please write, enclosing a CV to:

John Edwards,
Head of International Finance,
Linklaters & Paines,
Barrington House,
59-67 Gresham Street,
London EC2V 7JA.

L &P LINKLATERS & PAINES

Director of Marketing

The International Stock Exchange is going to make a new appointment – a Director of Marketing – one of six Executive Board Directors reporting to the Chief Executive.

The Director of Marketing for The International Stock Exchange will have a major influence on the strategic direction of one of the world's leading financial institutions.

The Director of Marketing will be responsible for ensuring that the ISE continues to satisfy the wide ranging needs of its customers in a highly dynamic environment. This will require:

- building a detailed understanding of the ISE's customers' current and future needs
- setting policies that will meet these needs efficiently and effectively
- organising and co-ordinating resources within the ISE to ensure that the needs are satisfied

You will be an established authority in the marketing world, be aged 35-45, with multinational experience preferably at board level and be conversant with the challenges and opportunities offered by information technology. You will demonstrate highly developed communication skills and above all will possess the energy to drive forward the new marketing thrust of The International Stock Exchange.

The remuneration and benefits package is negotiable but is likely to be of interest to those currently earning in excess of £60,000.

Please write in strict confidence with full career details to:
Jeffrey Knight, Chief Executive,
The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited,
Old Broad Street,
London EC2N 1HP.

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Please send c.v. to:
Box A0617, Financial Times
10 Cannon Street, London EC4P 4BY

Research Analyst

Our client is a major investment management group with worldwide interests and assets under management in excess of US $60 billion.

They are seeking an Analyst who will work with the UK/European Research Department analysing companies in Southern Europe. Experience in Spanish and Portuguese markets is essential and proven analytical skills are vital.

The successful candidate will be a European who is fluent in English but has linguistic ability in at least two other European Languages. The ideal applicant will be under 25 and have an MBA qualification from a major European business school.

A highly competitive salary together with an attractive benefits package will be offered.

Please write with full details by Monday 2nd August. These will be forwarded direct to our client. List separately any companies to whom your application should not be sent. Chris Plowman, ref. CJP/B/9.

MSL Advertising, 52 Grosvenor Gardens, London SW1W 0AW.

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Applicants, male and female, should write to us in confidence as Consultants on the appointment, include a comprehensive CV and quote reference 1714/FT.

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- ★ Gilt Sales £ negotiable
- ★ US Government Securities Sales £ negotiable

For all these positions specific experience is essential and we do not have trainee positions available. In general the age range is likely to be in the 23 years to 40 age group.

To discuss these positions call:
Tom Kerrigan or James Jarratt on 01-588 4363
or send a full cv to:
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MONEY DEALER

£ neg.

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We are now seeking a money dealer, preferably qualified to degree level, with a minimum of two years' experience in active money market dealing. Training would be given where appropriate in foreign exchange and Eurocurrency dealing.

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Sheena Gibson, Recruitment Manager, PosTel Investment Management Limited
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PosTel
Investment Management Ltd

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For an initial talk in confidence please contact us at: 20 Cousin Lane, London, EC4R 3TE. Telephone 01-236-7307.

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RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

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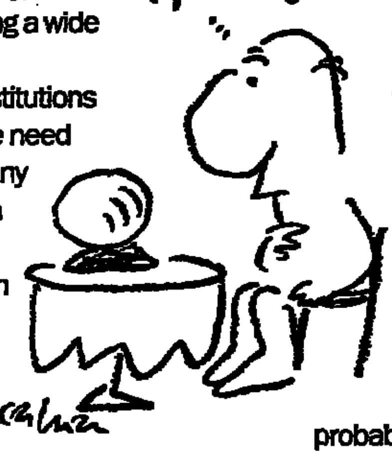
Risk Management is one of the more arcane of the financial disciplines. Clearly it demands an exceptional candidate. You will have to be able to communicate effectively and persuasively.



Risk Management ranges from the strategic to the operational. Strategic Risk Management requires a sound understanding of balance sheet planning, asset liability management, simulation, immunisation and duration, and risk management products plus an appreciation of cash flow forecasting and instrument risk assessment.

Operational Risk Management requires equal understanding of position monitoring systems, settlements systems and funds transfer mechanisms in addition to a working knowledge of Strategic Risk Management techniques.

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As you'd expect the rewards can be excellent for individuals who meet our admittedly high criteria.

If the last 387 words have intrigued you sufficiently to want to learn more about consultancy with Price Waterhouse, please write in confidence, quoting reference MCS/8094 to Peter Humphrey, Price Waterhouse, Management Consultants, No. 1 London Bridge, London SE1 9QL.

Price Waterhouse

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An exciting opportunity exists for an individual with a successful track record in actively managing a significant volume of marketable investment assets (multicurrency fixed income and equities) for a major institution or fund. Having experience in managing both long and short horizon portfolios, he should also have a thorough understanding and anticipation of trends in currencies and interest rates as well as a sound knowledge of major stock markets.

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The successful candidate will have:

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* a wide exposure to major trading companies; and
* a successful technical and marketing track record,

and will be responsible for:

* devising operating procedures;
* providing technical expertise to lending officers;
* marketing the trade finance product; and
* building up the team of specialists required.

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Cannon Lincoln Group, 1 Olympic Way,
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We need a lawyer with some experience of company, tax or regulatory work to join our team handling a wide range of financial services and investment fund work for major U.K. and international clients. The successful applicant will be given every opportunity to develop specialist skills and expertise in these rapidly expanding areas.

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COMMODITIES AND AGRICULTURE

Exporters rush for Brazilian coffee

By Rik Turner in Sao Paulo

THE BRAZILIAN Coffee Institute (IBC) yesterday closed coffee export registrations for September shipment, less than 24 hours after opening them. A total of 2.45m bags (60 kg each) was registered for the month. August registrations, which also began on Monday, amounted to 1.28m bags, and remains open.

Exporters thus repeated their May performance, when 2.6m bags were registered in one day for export in June. So much of that exceptionally large allocation remained to be shipped at the end of the month, however, that the institute decided not to open registrations for July.

The rush to register large *quantities of coffee for export* each month reflects the bumper crop Brazil is harvest-this year—estimated at about 35.2m bags.

Whenever such a situation occurs, the institute always runs the risk of having to extend the registrations into the following month, upsetting its accounting and jeopardising its *export target* for the year.

The institute took steps this month to avoid a repetition of the June situation, or at least to ensure that volumes *registered for export* would eventually be exported, rather than cancelled next month as frequently happens during a bumper crop.

From now on, exporters not honouring export commitments will lose the 50 per cent first instalment of the contribution quota, an export tax levied by the institute and paid three days after registration. The tax was increased last week from 27 per cent to 36 per cent.

● Coffee producers must continue working to forge a unified position on export quotas, International Coffee Organisation (ICO) delegates said in London. But they agreed that this week's ICO executive board meeting is not the appropriate forum for such talks, Reuter reports.

Producers will continue meeting among themselves to come up with a common producer proposal by the time the full ICO council meeting is held in September, Mr Lindenberg Sette, the Brazilian delegate, said. A full producer meeting is likely to be held in August or early September to hammer out the position.

EC payment delays anger British grain traders

BY JOHN BUCKLEY

CHANCES OF British cereal exports repeating last season's all-time record 10.5m tonnes are currently remote and a steep fall is likely if the present bureaucratic inefficiency over EC paperwork continues, according to the Grain and Feed Trade Association.

Gafta says it is bitterly disappointed over the lack of response from the Ministry of Agriculture to its pleas for action over the much longer wait UK shippers have to endure—compared with their Continental counterparts—before they receive EC export restitutions, which run into many millions of pounds.

These have been held up at the British Intervention Board, which itself blames staff problems and a transition to computerisation.

The delay reduced the value of deals struck by some shippers last season by up to £1.60 per tonne. With no clear idea of how long they will have to wait for payment this year, many of the traders who placed last season's record sales are now finding it almost impossible to price grain and are becoming reluctant to book new crop export business This, Gafta believes, is threatening farmer's incomes by depressing prices and—ironically—will almost certainly land a fat and unnecesessary bill in the Government's lap for storage as grain floods again into intervention.

Ms Maria Cappuccio, a Gafta official points out that farmers benefited enormously from last season's high level of exports which helped cut intervention stocks to around 3.8m tonnes at the start of this season. In 1984/85, she points out, stocks hit an all time high of 6m tonnes and actually forced the Chancellor of the Exchequer to adjust the PSBR by £150m to take into account increased capital storage and interest costs for taking grain into intervention.

"It could all so easily happen again," says Ms Cappuccio, who suggests: "If exporters were to allow for a payment delay (based on last season's experience) of 42 to 118 days the price to the farmer would be *unacceptable. They would have* no choice but to go to the 'market of last resort' which is intervention."

British exporters are also worried about the EC Commission's export policy in general. Despite the cut-throat competition on world markets no clear plan has yet emerged for the 1987-88 campaign, whereas this time last year, many mililons of tonnes had already been booked. But the Commission is apparently continuing with a policy that favours milling wheat by imposing a 10 European currency units a tonne corrective on feedwheat that also penalises UK grain. Bearing in mind French quality advantages and a more efficient system that keeps their export rebate payment delay down to 15 days, it is hard to see how Britain can export, Ms Cappuccio said.

Gafta says the UK Government—consistent with its obligations to reduce budgetary expenditure and return intervention to its proper role of safety net—should guarantee *payments for 1987-88 will be* made to the trade within the official 28 day target period. Better still it should aslo sieze the opportunity created by Brussels' decision to allow payment in arrears rather than in advance. "This means national exchequers will be responsible for payment in the first instance to their respective intervention Boards and provides an incentive for the new computerised IBAP to match French exporters' payment delay advantage," says Ms Cappuccio. The Government should also insist that the 10 Ecu penalty is dropped to enable a single rebate throughout the Community and press the Commission to get its new season's export programme into gear as quickly as possible, Gafta believes.

"Unless the Government acts on these recommendations, the Treasury will have to dig deep into its coffers as another record UK harvest is underway says Ms Cappuccio who hopes the Government will reconsider its response to an earlier plea that it bridge the loss of interest shippers suffered on late 1986-87 export payments. "We believe the Government should honour its obligations, accept that the service its agents (IBAP) provided was at fault and acknowledge the huge benefits it has reaped from exporters' success in expanding trade, including balance of payments credits and reduction in storage costs—not to mention the positive cash flow advantage of sitting on funds to which it was not entitled," Ms Cappuccio concluded.

Canadian harvest seen lower

BY ROBERT GIBBENS IN MONTREAL

THE UNITED Grain Growers Co-operative of Winnipeg estimates total prarie crop output for the 1987 crop year ending July 31 will be 42.2m tonnes, down about 18 per cent from the 1986 peak of 51.6m tonnes.

UGG cites increases in summer fallow, lower fertiliser usage and hot weather in June leading to some plant destruction by equipment and a shorter growth period.

Wheat production is expected to decline 28 per cent to 23.5m tonnes indicating an average yield of 26.5 bushels per acre, down from 32.9 bushels last year.

Other crops projections (compared with 1986) are: barley 12.4m tonnes (13.3m); oats 2m tonnes (2.5m); rye 389,000 tonnes (558,000); flaxseed 676,000 tonnes (1m); camola 3.1m tonnes (3.3m).

David Owen adds: Stocks accumulated as a result of last year's crop should enable Canada to maintain export volumes in the year ahead, with stocks of 14.2m tonnes being projected by the year-end.

In 1986, outstanding weather conditions produced an unprecedented harvest of 31.9m tonnes of wheat.

Chicago analysts played down the potential ramifications of the diminished crop. "It might help to build a base of support over the medium- to long-term," according to Mr Victor Lespinasse of Dean Witter Reynolds. "But in the short-term," it is relatively minor."

Wales continues search for 'edible ideas'

BY ANTHONY MORETON, WELSH CORRESPONDENT

MID-WALES DEVELOPMENT is to extend its scheme to develop new food products by continuing the Edible Ideas Plan launched last year.

Mr Alun Evans, chairman of Welsh Rural Products Group, said at the Royal Welsh Show *in Builth Wells yesterday, that* the scheme had been sufficiently successful in its first year to warrant being continued.

The three winners in 1986—Caws Cenarth, Cambrian Traditional Foods and Welsh Lamb Products. two cheesemakers and a meat concern—have been so successful that they have created markets not just in Wales but throughout the UK.

MWD, a Government appointed body set up to improve the economy of the area, has put considerable effort behind a drive to develop food concerns in the small towns of rural Wales.

It sees the industry as a catalyst to create jobs, stimulate the farming industry and help to prevent the rural depopulation that has afficted the area for much of this century.

Earlier Mr John Norris, president of the Country Landowners Association, said Britain's farmers faced a cut of £500m a year in their income.

Such a drop was "demoralising," and he called on Mr John MacGregor, the Minister of Agriculture, to invite landowners to help solve the coming crisis in Britain's agriculture.

"The farming industry did not get the country into this crisis, the Government did. Yet Government has washed its hands of it.

"Ministers are appointed to take the responsibilities of office, and they must find the solution."

Drought hits Philippines coconut output

PHILIPPINES COCONUT production is expected to drop to 2.22m tonnes in 1987, a 15.5 per cent drop from the 1986 output of 2.63m tonnes, because of a drought in producing areas, Reuter reports.

The United Coconut Association of the Philippines, a private-sector organisation, said in a report that production in 1988, when the full effects of this year's drought are likely to emerge, is projected to fall further to 2m tonnes. Rainfall was expected to be about 20 per cent below normal levels this year.

UCAP said 1987 export estimates had been revised downward to 1.94m tonnes in copra terms from the earlier forecast of 1.99m tonnes. The latest estimate was 17.4 per cent lower than total 1986 exports of 2.35m tonnes.

However, export revenue estimates for 1987, based on improved world prices, had been revised upward to $600m from $538.5m, the report said.

Copra exports are projected to total 130,000 tonnes, down *from 136,000 tonnes* last year, but copra is expected to fetch an average price of $232 per tonne, 66.9 per cent higher than the 1986 level of $139 per tonne.

Coconut oil exports are projected to drop 20.4 per cent this year to 986,000 tonnes from 1.23m tonnes last year, but earnings are projected to rise to $349.3m from $334.8m

China has too much wool

CHINA has excessive wool stocks through over-importing, which has helped to raise international prices and wasted foreign exchange, Reuter reports from Peking.

The official newspaper International Business said although domestic stocks were rising *sharply large-scale imports* were continuing.

Official figures show imports *in the first half of this year at* 90,218 tonnes, up from 63,887 tonnes in the year-earlier period, against 152,181 tonnes in 1986 and 113,375 tonnes in all 1985.

Many provinces with textile industries have sent buyers abroad to purchase foreign *wool*, which is cheaper, better quality and easier to wash than local wool, the paper said.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,190-2,250 (2,250-2,310).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 3.00-3.15 (2.95-3.10).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.53-1.58 (same), sticks 1.53-1.58 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.40-6.60 (6.50-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 230-240 (235-245).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.60-2.65 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 5.40-6.00 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 48-55 (same).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.62-2.70 (2.62-2.68).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00 (same).

Brazil to dispense castor oil

BY RIK TURNER IN SAO PAULO

BRAZIL'S PRODUCTION Financing Company, an organ of the Ministry of Agriculture, has released 28.677 tonnes of castor oil for sale out of the stock of some 35,000 tonnes it has accumulated since 1985.

The move has been encouraged by the recent rise in world prices, which reached $920 a tonne in Rotterdam last week. If all the volume released for sale is exported, which local traders believe is most likely, the country could earn some $27m on the sale.

Castor exporters expect prices to stay at their current level or possibly increase *slightly later this year in response* to tight supply situations in Brazil and India — the other major producing country. Brazil's decision to stay out of the market altogether for some three months earlier this year was itself a major factor in the recent *price increase.*

World production of castor has been on the wane for the last two years — because of bad weather and depressed world prices (around $500-$600 a tonne *fob*), *Brazilian traders* say. They blame that price depression on 1985's bumper crops and a consequent carryover of some 40,000 tonnes of Indian oil.

Brazil's total 1987 bean production is not expected to exceed *160,000 tonnes,* compared with 260,000 tonnes last year and a bumper 450,000 tonnes in 1985. The country's traders estimate that this year's total planted area is about one third of 1985's.

Since the bean/oil yield in *Brazil is about 45 per cent,* this year's crop, harvesting of which begins this month, should produce some 72,000 tonnes of oil, so that the country will be exporting out of stocks to maintain its normal overseas sales volume of 135,000-140,000 tonnes out of annual world imports of about 210,000 tonnes.

India, which normally accounts for another 60,000 tonnes, is virtually out of the market at present because of a government pricing structure that keeps the domestic price tied to the prices of other edible oils in an attempt to stimulate their production.

"They keep their domestic price for peanut oil at $1,900 a tonnes and their soyabean oil price at $800, *so if they don't* charge at least 1,100 to 1,200 a tonne fob Bombay for their castor oil they have people adulterating it into edible oils in the interior," said a Brazilian trade observer.

The Indian crop has dwindled from the bumper 1985 level *of* 550,000 tonnes (when the country exported some 100,000 tonnes of oil) to last year's 320,000 tonnes (with oil exports of 45,000mt).

"This year they haven't even got oil to export to Russia, their partner in barter trade deals," commented one trader. India's export capacity is of course conditioned by its domestic consumption of oil, which hovers around the 120,000 tonnes a year mark, compared with just 15,000 tonnes a year in Brazil.

Furthermore, while the Brazilian crop starts in July, India's begins in December, so that any availability that country will have will not be until the first *quarter of* 1988. Traders expect the tight supply situation to remain till then.

Assuming that Brazil does indeed export between 135,000 and 140,000 tonnes again this year, traders predict an improvement of some 33 per cent in earnings on those sales. They expect a total export revenue of $100m for the sector this year, compared to just $75m earned on the same volume exported in 1986. This in turn can be expected to attract farmers back to castor in future years.

MARKETS LONDON

NICKEL prices on the London Metal Exchange fell back sharply yesterday in what dealers described as an overdue correction following the recent strong rise. The cash position, which had previously staged a seven-day advance amounting to over £220 a tone, ended the day £92.50 lower at £2,995, despite being supported by West German buying late in the day. Early on the nickel market had been characterised by aggressive merchant and commission house selling, traders said. A further encouragement was given to the bears by the breach of the $2.20-a-lb level, where chart-cased support had been anticipated. Coffee prices came under renewed pressure yesterday. In light trading and against a basically bearish background sentiment news of record Brazilian export registrations for August and September shipments was enough to push the September futures quotation £22 lower at £1,224.50 a tonne. A £14 fall in September cocoa to £1,354.50 a tonne was attributed by dealers chiefly to "tired long liquidation" and profit-taking. Lower sterling against the dollar and reports of dry West African weather steadied the market near the close, however.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1602-8	−7.5	—

Official closing (am): —— (——), three months 1,608-10 (1,620-5), settlement —— (——). Final Kerb close: 1,602-8. Ring Turnover: —— tonnes.

99.5% purity	£ per tonne		
Cash	1029-31	−1	1030/1029
3 months	961-2	−1	964/960

Official closing (am): Cash 1,029-30 (1,044-5), three months 961-2 (962-3), settlement 1,030 (1,045). Final Kerb close: 964-4.5. Ring Turnover: 15,250 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or −	High/Low
Cash	1024-5	—	1023/1021
3 months	1014-5	+2	1014/1007

Official closing (am): Cash 1,023-4 (1,022-5-3), three months 1,010-1 (1,012-3), settlement 1,024 (1,023). Final Kerb close: 1,016.5-17.5.

Standard			
Cash	1023-5	—	—
3 months	1009-11	+3	—

Official closing (am): Cash 1,023-5 (1,023-5), three months 1,005-6 (1,005-9), settlement 1,025 (same). US Producer prices: 77-82 cents a pound. Total Ring Turnover: 30,500 tonnes.

LEAD

Official closing (am): Cash 408.5-9 (407-8), three months 386-6.5 (same), settlement 409 (408). Final Kerb close: 387-8. Ring Turnover: 9,800 tonnes. US Spot: 38-42 cents a pound.

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	408-9	−2	409.5/409
3 months	385-6	−4	389/381

NICKEL

Official closing (am): Cash 2,975-80 (3,080-5), three months 3,015-20 (3,105-7), settlement 2,980 (3,085). Final Kerb close: 3,060-70. Ring Turnover: 3,380 tonnes.

	Unofficial close (p.m.) £per tonne	+ or −	High/Low
Cash	2990-3000	−92.5	—
3 months	3025-35	−84	3120/2980

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	499-500	+4	—
3 months	493.5-4.5	7.25	498/488

Official closing (am): Cash 496-7 (497-8), three months 491-2 (488.5-9), settlement 497 (498). Final Kerb close: 495-6. Ring Turnover: 8,350 tonnes. *US Prime Western: 47.5-48.5 cents per pound.*

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls Sept.	Calls Nov.	Puts Sept.	Puts Nov
Aluminium 99.5%	1,500	—	—	18½	59½
	1,525	64	84½	26½	72½
	1,550	49½	45	—	—
Copper (Grade A)	1,600	—	—	29½	61½
	1,625	49	50½	41¼	75½
	1,650	51	41	—	—
Copper (Grade A) £/tonne	1,000	—	—	17	35
	1,025	24½	39	28½	48
	1,050	15	23½	—	—

Estimates.

GOLD

GOLD BULLION (fine ounce)	July 21	
Close	$462-462¼	(£282-282¼)
Opening	$462-462¾	(£282¼-283¼)
M'n'g fix	$462.50	(£282.285)
Aft'n'n fix	$462.40	(£282.186)
Day's high	$463¼-463¾	—
Day's low	$461½-462	—

GOLD AND PLATINUM COINS		
Am Eagle	$463-468	(£283¾-293)
Mapleleaf	$465½-468½	(£291¼-293¼)
Kr'g'r'nd	$462-465	(£283-284¾)
½ Krug	$236¼-237½	(£148-148¾)
¼ Krug	$118¼-119½	(£74¼-74¾)
Angel	$463-466	(£283¾-291¾)
1/10 Angel	$44¾-49¾	(£28-31¼)
New Sov.	$106-107	(£65¼-67)
Old Sov.	$106-107½	(£65¼-67¼)
Noble Plat.	$587-597	(£367½-373¾)

TIN

KUALA LUMPUR TIN MARKET—Close: *18.07 (18.08) ringgit per kg. Down 0.01.*

INDICES

REUTERS

July 20	July 17	M'th ago	Year ago
1629.4	1628.0	1602.2	1481.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 20	July 17	M'th ago	Year ago
Spot	127.64	127.62	—	126.09
Fut	126.28	126.42	—	115.76

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	July 21 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1650/670	−25	$1580/600
Copper			
Cash Grade A	£1024.5		£972
3 months	£1014.5	+2	£962.75
Gold troy oz	$462.25	+1	$440.25
Lead Cash	£408.5	−2	£377
3 months	£385.5	−4	£361.5
Nickel			
Free Mkt	218/238c	−7	204/224c
Palladium oz	$140.50	+0.75	$136.00
Platinum oz	$573.00	+4.75	$549.00
Quicksilver†	$235/245		$240/250
Silver troy oz	478.85p	+9.70	485.00p
3 months	489.75p	+9.85	434.60p
Tin			
free Mkt	£3880/020		£4178/280
Tungsten	$56.21		$58.16
Wolfram 22.04lb	$48/55		$48/55
Zinc	£499.5	+4	£527.5
3 months	£494	+7.25	£517.5
producers	$860		$860
OILS			
Coconut (Phil)	$460x	+20	$505
Palm Malayan	$292.5t		‡
Seeds			
Copra (Phil)	$290x		$298
Soyabean (U.S.)	$150z	+2	$163.5
GRAINS			
Barley Fut. Nov.	£99.70	−0.10	£95.85
Maize	£153.50	+0.5	£155.00
Wheat Fut. Sept	£101.45	−0.20	£99.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1354.5	−14	£1308
Coffee Ft. Sept	£1224.5	−22	£1369.5
Cotton A Ind.*	83.95c	−0.5	80.05c
Gas Oil Sept.	$169	−4.25	$155.75
Rubber (kilo)	69.5p		64.75p
Sugar (raw)	$161.4x	−0.6	$171.4
Wooltops 64s	479p kilo		479p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

SILVER

Silver was fixed 9.7p an ounce higher for spot delivery in the London bullion market yesterday at 478.85p. US cent equivalents of the fixing levels were: Spot 767c, up 14.45c; three-month 780.05c, up 14.8c; six-month 793.75c, up 15.25c; and 12-month 823.45c, up 15.8c. The metal opened at 479½-481p (766-768c) and closed at 476½-478p (763-765c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	478.85p	+9.70	764c	+7
3 months	489.75p	+9.85	775c	+6
6 months	501.25p	+10.6	—	—
12 months	524.15p	+11.2	—	—

LME—Turnover: 1 (nil) lots of 10,000 ounces.

Three months final kerb 773-6p.

COFFEE

Robustas lost further ground in subdued trading, reports Drexel Burnham Lambert. Against a slightly weaker New York close early commission house selling was noticeable. As the *day wore on light price fixing emerged* and fresh interest for small parcels of physical Robusta prevented the market from drifting too near the contract lows.

COFFEE	Yesterday close	+ or −	Business done
July	1200-1205	−16.5	1215-1200
Sept	1223-1225	−22.0	1244-1224
Nov.	1247-1249	−21.0	1265-1246
Jan	1273-1274	−17.5	1289-1268
Mar	1297-1300	−11.5	1306-1294
May	1322-1325	−9.5	1331-1322
July	1340-1347	−16.5	1360

Sales: 2,488 (2,240) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 20: Comp. daily 1979 97.00 (97.80); 15-day average 96.58 (96.59).

COCOA

After opening a little easier futures then encountered aggressive trade and commission house selling and lost £30 before rallying later in the day to close in the upper half of the trading range. Producers declined to follow the market lower but some light con*sumer interest was seen near the lows,* reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
July	1374-1376	−19.5	1377-1365
Sept	1354-1355	−14.0	1366-1355
Dec	1392-1393	−10.0	1400-1378
March	1415-1416	−11.0	1425-1401
May	1433-1435	−12.5	1441-1420
July	1448-1451	−12.0	1441
Sept	1464-1466	−9.5	1465-1450

Sales: 5,128 (2,681) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for July 21: 1,690.28 (1,716.36); 10-day average for July 22: 1,697.22 (1,693.02).

FREIGHT FUTURES

Rumours of a Gulf/Japan rate at $16.00 *being declined spurred buying* during the early stages. However, selling at 1,100 and above was apparent *but the market remained firm all day, following a higher BFI, reports Clarkson* Wolff.

Dry Cargo	Close	High/Low	Prev.
July	975/980	985/970	958/965
Oct.	1125/1095	1108/1089	1085/1088
Jan.	1095/1100	1107/1090	1085/1090
Apr.	1100/1115	1100/1105	1087/1088
July	980/990	980/970	950/965
Oct.	910	—	910
Jan.	1010	—	1010
April	1090	—	1100
BFI.	955.5	—	948

Turnover: 391 (409).

GRAINS

Wheat touched unchanged levels before easing on keen trade selling to close on the day's lows while barley rose from early lows to firm on shipper short-covering and close just steady, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
Sep.	98.75	−0.35	98.70	−0.10
Nov.	101.45	−0.20	99.70	−0.10
Jan.	104.25	−0.20	102.40	−0.05
Mar.	107.00	−0.15	104.80	−0.05
May	109.40	−0.20	106.55	+0.05
July	111.60	−0.15	—	—

Business done—Wheat: Sept 99.00, Nov 101.65-1.45, Jan untraded, March *107.15, May 109.45, July untraded.* Sales: 67 lots of 100 tonnes. Barley: Sept untraded, Nov 99.65-9.60, Jan 102.40-2.30, Mar 104.65, May and July untraded. Sales: 47 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Aug 91.00, Sept 91.75, Oct 93.00. US No 2 Soft Red Winter: Aug 86.00, Sept 87.50, Oct 90.25. French 11½-12 per cent: Aug 121.00. English feed, *fob: Sept* 101.00-101.50 buyer/sellers, Oct/Dec 104.50 buyer, Jan/March 108.75-109.25 buyer/sellers. Maize: US No 3 Yellow/*French transhipment* East Coast: July 163.50. Barley: English feed: Aug 97.75-98.25, Sept 98.50 buyer English, 99.50 sellers Scottish, Oct/Dec 104.25-105.00 buyer/sellers, Jan/March 107.50 buyer.

HGCA — Locational ex-farm spot prices. Feed barley: E. East 95.60, S. West 96.40, W. Midlands 91.50. The UK monetary coefficient for the week beginning Monday July 27 (based on HGCA calculations using four days' *exchange rates) is expected to remain*

POTATOES

The market continued to come under keen selling pressure, opening £2.00 down and, after a *brief bounce, falling* another £3.00 to close at the day's lows, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	97.80	99.60	99.00-97.00
Feb.	107.80	110.00	105.00
Apr.	138.20	146.00	141.70-138.10
May.	151.50	155.00	152.00

Sales: 1,005 (1,080) lots of 40 tonnes.

OIL

CRUDE OIL—FOB ($ per barrel) August	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	18.05-18.15	−0.175
Brent Blend	20.30-20.40	−0.275
W.T.I. (1pm est)	21.70-21.80	−0.525
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	198-201	−1
Gas Oil	165-167	−5
Heavy fuel Oil	117-119	−0.5
Naphtha	177-179	−4.5

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close $ per tonne	+ or −	Business done
August	128.5-129.3	−0.15	129.0
October	127.5-128.0	−0.85	129.0
Dec	127.5-128.5	−0.25	129.5-128.5
Feb	129.5-130.5	−0.25	130.5
April	131.8-132.5	+0.50	—
May	127.0-128.5	+0.50	—
August	127.0-128.5	+0.50	—

Sales: 139 (23) lots of 20 tonnes.

JUTE

JUTE—Aug/Sept, c and f Dundee: BTC $530, BWC $520, BTD $450, BWD $440; C and f Antwerp: BTC $490, BWC $480, BWD $410, BTD $420.

SUGAR

LONDON DAILY PRICE—Raw sugar $161.40 (£101.00), down 60c (down 20p) a tonne for Aug/Sept delivery. White sugar $178.00, up 50c.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Aug	134.4-135.2	141.4-142.4	141.8-135.2
Oct.	138.2-139.4	148.2-148.4	148.4-137.8
Dec	144.2-148.8	151.4-152.4	151.0
Mar.	150.8-151.8	157.6-158.0	158.0-148.8
May	154.8-155.8	161.0-161.8	160.2-154.6
Aug	158.8-160.4	165.8-165.8	164.8
Oct	161.0-168.6	168.0-168.4	165.8-160.1

Sales: 3,837 (1,127) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 20: Daily price 6.06 (6.02); 15-day average 6.37 (6.40).

PARIS—(FFr per tonne): Oct 1100-1103, Dec 1125-1137, March 1175-1182, *May* 1200-1215, Aug 1235-1265, Oct 1275-1295.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
Aug	167.75	−3.75	171.50-67.25
Sept	169.00	−4.25	173.00-68.50
Oct	171.25	−4.25	174.50-70.50
Nov	173.00	−4.50	178.00-72.5
Dec	177.25	−1.25	178.50-77.25

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.89p per kg lw (+0.17). GB—Sheep 188.78p per kg est dcw (+10.39). GB—Pigs 72.81p per kg lw (+1.09).

FUTURES—Pigs: Oct 102.00, Nov 103.00. Sales: 10.

RUBBER

PHYSICALS — The London market opened slightly easier, found little business throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 69.50 (same). Aug 68.75p (same). Sept 68.75p (same). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 was 280.0; and for SMR 20 221.0.

US MARKETS

LONG LIQIDATION and profit-taking eased the crude oil market as consolidation occurred in the absence of any news, reports Drexel Burnham Lambert. Precious metals remained steady in a very quiet session. With light trade support. In platinum, however, local and commission house buying was noted. Copper rallied as good local buying touched off fund buy stops in rather light action. Coffee eased on local and trade selling despite good commission house support. Cocoa fell on commission house liquidation, touching off light stops while the trade and manufacturers were scale-down buyers. In sugar big commission house sell-offs were elected in the face of a failed early rally followed by fresh trade and fund selling. Cotton rose slightly on commission house buying while the trade continued selling. In the grains, renewed professional selling followed by commission house liquidation eased the markets due to rains and moderate temperatures in northern states as concern over crops lessened. In the meats cattle traded indifferently in advance of the cattle-on-feed report. Pork bellies and hogs eased slightly on nervous long liquidation on reports of heavier hog runs.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.80	73.25	73.75	73.25
Aug	73.35	73.00	—	—
Sept	72.80	72.25	72.75	71.75
Dec	71.95	71.60	71.00	71.00
Jan	70.00	70.00	—	—
March	69.50	69.00	—	—
May	67.20	68.00	—	—
July	68.00	67.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Sept	2030	2052	2068	2025
Dec	2058	2108	2084	2055
March	2086	2125	2104	2083
May	2113	2148	2116	2110
Sept	2155	2193	2165	2161
Dec	2190	2218	2197	2190

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	102.50	104.00	104.40	104.00
Sept	104.11	106.09	104.50	103.30
Dec	107.53	108.11	107.75	106.55
March	111.00	111.25	110.50	109.50
May	112.13	113.25	112.75	111.75
July	114.13	114.75	114.26	113.75
Sept	115.69	116.00	116.06	115.00
Dec	118.50	119.00	119.00	118.50

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	75.35	74.00	75.40	73.40
Aug	74.50	73.30	—	—
Sept	73.35	72.35	73.40	71.80
Dec	72.40	71.55	72.50	71.05
Jan	72.20	71.35	71.60	71.60
March	71.70	70.85	71.35	70.45
May	71.50	70.70	70.50	70.50
July	71.45	70.75	70.75	70.50
Sept	71.70	70.80	71.80	71.80
Dec	71.75	70.85	70.80	70.20

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
Oct	76.35	76.48	76.40	75.20
Dec	75.05	74.25	75.10	73.95
March	75.70	75.10	75.75	74.65
May	76.15	75.20	76.15	75.05
July	75.18	75.25	75.00	75.00
Oct	69.00	68.75	69.00	68.90
Dec	68.60	66.82	67.15	67.15

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Aug	21.66	22.20	22.10	21.55
Sept	21.47	21.88	21.76	21.25
Oct	21.18	21.56	21.45	21.05
Nov	21.05	21.43	21.35	20.90
Dec	21.00	21.38	21.29	20.88
Jan	20.96	21.32	21.25	20.85
Feb	20.90	21.28	21.30	20.88
March	20.90	21.25	21.20	20.85
April	20.90	21.22	21.12	20.86
May	21.10	21.13	21.20	21.10

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	452.8	451.3	453.3	453.3
Aug	453.7	452.3	454.5	452.0
Sept	456.2	454.8	—	—
Oct	459.0	457.6	460.0	457.6
Dec	464.3	462.9	465.5	462.7
Feb	469.7	468.3	470.4	469.5
April	475.1	473.7	475.5	474.5
Aug	486.6	485.2	487.0	486.8
Sept	480.7	479.3	481.2	480.0
Oct	492.7	491.3	493.5	493.5
Dec	498.8	497.4	499.5	499.5
Feb	505.1	503.7	506.3	504.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Aug	55.55	56.75	56.40	55.10
Sept	56.25	57.40	57.15	55.75
Oct	57.00	58.09	57.90	56.40
Nov	57.75	58.80	58.60	57.30
Dec	58.50	59.53	59.40	58.00
Jan	59.10	60.05	60.00	58.85
Feb	59.30	60.30	60.30	59.30
March	58.00	58.55	58.40	58.00

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	127.00	126.70	127.50	127.00
Nov	125.20	125.00	126.50	124.90
Jan	124.00	123.90	124.00	123.75
March	124.05	123.95	123.75	123.25
May	123.85	124.20	123.90	123.85
July	129.30	131.55	131.00	129.75
Sept	124.30	124.20	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	576.3	569.9	574.0	574.0
Oct	579.9	573.9	581.5	576.0
Jan	586.6	580.7	588.9	584.5
April	593.6	587.4	590.0	590.0
July	600.6	594.4	602.0	597.0
Oct	607.5	601.3	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	770.3	764.7	772.0	762.0
Aug	771.9	766.4	770.0	770.0
Sept	776.5	771.0	777.4	765.0
Dec	790.9	785.5	792.0	779.0
Jan	795.2	789.8	—	—
March	805.6	800.2	805.0	796.0
May	815.9	810.5	809.5	809.5
July	826.4	821.0	822.0	822.0
Sept	837.0	831.6	—	—

SUGAR WORLD "11" 112,00 lb, cents/lb

	Close	Prev	High	Low
Sept	5.86	6.25	6.26	5.85
Oct	6.12	6.51	6.51	6.07
Jan	6.38	6.73	6.73	6.50
March	6.74	7.06	7.07	6.65
May	6.95	7.22	7.23	6.83
July	7.13	7.38	7.35	7.00
Oct	7.30	7.57	7.45	7.28

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
Aug	60.90	60.97	61.20	60.75
Oct	58.86	58.97	59.22	58.75
Dec	60.80	61.15	61.35	60.75
Feb	62.05	62.25	62.40	62.00
April	63.10	63.25	63.42	63.02
June	62.80	63.00	63.05	62.75
Aug	61.10	61.15	61.25	61.10

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
Aug	54.57	54.95	55.25	54.30
Oct	45.65	46.35	46.40	45.40
Dec	45.87	46.17	46.20	45.52
Feb	44.80	44.82	44.90	44.30
April	41.50	41.97	41.95	41.40
June	43.30	43.22	43.72	43.15
July	60.30	60.45	61.90	58.95
Aug	42.35	42.17	42.50	42.35

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
July	82.15	81.12	82.40	80.35
Aug	76.00	75.95	76.45	74.72
Feb	59.75	58.82	59.95	58.65
March	59.42	58.45	59.50	58.55
May	60.20	59.00	60.20	59.10

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
July	160.2	164.0	164.0	158.6
Sept	165.0	168.6	168.4	163.6
Dec	172.6	177.8	176.2	171.6
March	182.4	187.0	186.0	181.4
May	187.4	191.6	190.0	186.2
July	189.2	193.4	192.4	188.4
Sept	187.6	192.2	190.0	187.6

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	546.0	554.4	555.0	541.0
Aug	530.4	539.2	538.0	527.0
Sept	519.6	530.6	528.4	516.0
Nov	522.0	534.4	531.4	518.0
Jan	530.4	544.0	540.4	527.0
March	539.0	553.2	550.0	536.4
May	548.4	560.0	556.0	544.0
July	548.2	560.0	557.0	546.4
Aug	543.0	555.0	543.0	543.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	173.1	175.5	175.0	171.5
Aug	166.1	168.4	167.7	165.0
Sept	162.0	164.5	164.0	160.5
Oct	159.5	162.3	161.5	159.0
Dec	160.5	163.3	162.5	159.5
Jan	161.0	163.8	163.0	160.0
March	162.9	166.0	164.0	161.0
May	162.9	164.5	164.5	162.0
July	163.5	164.5	163.0	164.0
Aug	163.5	164.5	163.0	164.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
July	15.67	15.87	15.88	15.63
Aug	15.72	15.94	15.95	15.55
Sept	15.87	16.11	16.10	15.74
Oct	16.00	16.25	16.25	15.90
Dec	16.33	16.62	16.60	16.23
Jan	16.47	16.76	16.70	16.40
March	16.79	17.10	17.05	16.79
May	17.05	17.30	17.30	17.05
July	17.29	17.65	17.34	17.29
Aug	17.60	17.70	17.50	17.70

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	249.0	253.0	252.6	248.0
Sept	258.6	259.8	259.4	254.6
Dec	267.0	270.2	269.4	265.0
March	271.0	274.2	273.2	268.5
May	264.4	267.0	267.0	263.0
July	254.0	257.4	257.4	254.0

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 759.0 (755.5) cents per troy ounce. New York tin 297-304 (298-305) cents per pound.

مكتبة الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar shows little change

THE DOLLAR showed little overall change in currency markets yesterday. Earlier in the day trading had been subdued because speculators were anxious not to push the dollar much firmer since its approach to important chart levels suggested a growing likelihood of central bank intervention.

In addition there was little percentage in opening fresh positions ahead of testimony by Mr Paul Volcker, retiring chairman of the US Federal Reserve Board, to the US House of Representatives and a speech by his successor Mr Alan Greenspan in front of the Senate.

Comments by both of these were insufficient to move the market and speculators were already looking towards Friday's release of US second quarter GNP figures.

The dollar closed at DM1.8655 from DM1.8620 and Y152.70 compared with Y152.80. Elsewhere it finished at SFr1.5480 from SFr1.5505 and FFr6.2025 compared with FFr6.1950. On Bank of England figures, the dollar's exchange rate index finished at 103.9 unchanged from Monday.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index 72.9 against 72.8 at the opening and 72.9 on Monday.

The pound recovered from a weaker start. The latter was prompted by disappointment over Monday's money supply figures which highlighted the possibilities of a rise in inflation and this discouraged foreign investors.

The pound closed at $1.5960 from $1.6020. Against the D-Mark it was lower at DM2.9775 from DM2.9825 and Y243.75 against Y244.75. Elsewhere it slipped to SFr2.47 from SFr2.4850 and FFr9.90 against FFr9.9250.

Dealers were unsure about how the pound was likely to perform. The authorities were probably keen to keep it below DM3.0 but central bank intervention to achieve this would exacerbate an already expanding money supply.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.3 against 148.3 six months ago.

Trading in the afternoon was little different from the cautious anticipation earlier in the day ahead of statements by Mr Volcker and Mr Greenspan. Mr Volcker's comments about the dangers of inflation were exactly in line with market expectations and as a consequence the dollar finished at DM 1.8605 against DM 1.8615 on Monday.

Earlier in the day the dollar was fixed at DM 1.8586 from DM 1.8617 and there was no intervention by the Bundesbank.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 211.2 against 208.1 six months ago.

Trading was subdued in Tokyo and the dollar was confined to a narrow range. It finished a little easier at Y152.30 compared with Y152.70 in New York and Y152.65 in Tokyo on Monday. While the US unit retained its bullish undertone, there was a marked reluctance to push it much further just yet for fear of central bank intervention.

In addition some speculaors were acting with caution ahead of testimonies given by Mr Paul Volcker and Mr Alan Greenspan. Underlying sentiment was supported by firm oil prices and the possibility of rising tension in the Middle East.

£ IN NEW YORK

July 21	Latest	Previous Close
£ Spot	1.6025-1.6035	1.5980-1.5990
1 month	0.32-0.31 pm	0.35-0.34 pm
3 months	0.85-0.82 pm	0.95-0.92 pm
12 months	2.67-2.57 pm	3.05-2.95 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 21	Previous
8.30 am	72.8	73.1
9.00 am	72.9	73.1
10.00 am	72.8	73.1
11.00 am	72.8	73.1
Noon	72.9	73.0
1.00 pm	72.9	73.0
2.00 pm	72.9	73.0
3.00 pm	72.9	73.0
4.00 pm	72.9	73.0

CURRENCY RATES

July 21	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78794	0.697288
U.S. Dollar	5.5	1.2625	1.11740
Canadian $	7.90	*	1.47833
Austrian Sch.	4	16.4986	14.6078
Belgian Franc	7½	N/A	43.0983
Danish Krone	7	8.9020	7.87602
Deutsche Mark	3.0	N/A	2.07725
Neth. Guilder	4½	2.64434	2.33817
French Franc	9½	7.8137	6.91114
Italian Lira	11.5	1698.40	1501.79
Japanese Yen	2½	192.28	170.125
Norway Krone	8	N/A	7.57991
Spanish Peseta	[illegible]	[illegible]	142.301
Swedish Krona	7½	[illegible]	7.22799
Swiss Franc	3.5	*	1.72471
Greek Drach.	20½	177.333	157.040
Irish Punt	—	0.87589	0.775221

*CS/SDR rate for July 20: 1.66329

CURRENCY MOVEMENTS

July 21	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.9	−20.8
U.S. Dollar	103.9	−3.4
Canadian Dollar	79.1	−9.5
Austrian Schilling	137.1	+10.1
Belgian Franc	99.6	[illegible]
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 21	£	$
[illegible]	[illegible]	[illegible]
Korea (Sth)	1286.10-1297.75	804.90-811.50
Kuwait	0.45600-0.45650	0.28465-0.28475
Luxembourg	61.50-61.60	38.50-38.60
Malaysia	4.0805-4.0910	2.5475-2.5490
Mexico	2219.45-2243.30	1385.00-1399.00
N. Zealand	2.6410-2.6460	1.6465-1.6485
Saudi Ar.	6.0075-6.0130	3.7500-3.7510
Singapore	3.3950-3.4020	2.1210-2.1220
S. Af. (Cm)	3.3060-3.3220	2.0745-2.0790
S. Af. (Fn)	5.2530-5.4320	3.2785-3.3900
Taiwan	49.70-49.95	31.05-31.15
U.A.E.	5.8835-5.8885	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0983	+1.51	+0.87	±1.5344
Danish Krone	7.85212	7.87602	+0.30	−0.34	±1.6404
German D-Mark	2.05853	2.07725	+0.91	+0.27	±1.0981
French Franc	6.90403	6.91114	+0.10	−0.54	±1.3674
Dutch Guilder	2.31943	2.33817	+0.81	+0.17	±1.5012
Irish Punt	0.768411	0.775221	+0.89	+0.25	±1.6684
Italian Lira	1483.58	1501.79	+1.23	+1.15	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

July 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5955-1.6050	1.5955-1.6050	0.34-0.31c pm	2.44	0.96-0.91 pm	2.34
Canada	2.1070-2.1206	2.1070-2.1080	0.12-0.02c pm	0.40	0.34-0.21 pm	0.52
Netherlands	3.33¾-3.36½	3.34¾-3.35¾	1¼-1c pm	4.03	3⅝-3⅛ pm	3.88
Belgium	61.43-61.95	61.50-61.60	19-12c pm	3.02	47-37 pm	2.73
Denmark	11.27¾-11.33¾	11.28¾-11.29¾	¾-1⅛ ore dis	−1.13	2⅞-3 dis	−0.95
Ireland	1.1070-1.1150	1.1120-1.1130	0.01-0.08p dis	−0.38	0.05pm-0.21 dis	−0.32
W. Germany	2.96-2.99¼	2.97¼-2.98¼	1½-1¼pf pm	5.54	4-3⅝ pm	5.12
Portugal	231.59-232.83	231.60-232.50	80-146c dis	−5.84	292-374 dis	−5.74
Spain	203.89-204.43	204.00-204.30	132-172c dis	−8.93	356-439 dis	−7.79
Italy	2142½-2162	2150½-2151½	1-4 lire dis	−1.39	4-11 dis	−1.39
Norway	10.84-10.88	10.84-10.85	4½-5⅛ ore dis	−5.33	12⅝-13¼ dis	−4.75
France	9.85¼-9.94½	9.89½-9.90½	1⅝-1¼c pm	1.67	3⅝-2¾ pm	1.29
Sweden	10.33¾-10.39¾	10.33¾-10.34¾	⅝-¼ ore pm	0.51	1-½ dis	0.29
Japan	242¼-244¼	243¼-244¼	1¼-1 y pm	5.54	3¾-3 pm	5.13
Austria	20.90-20.97	20.93-20.96	9½-8⅝ gro pm	5.19	26¾-24¾ pm	4.93
Switzerland	2.45¾-2.48¼	2.46½-2.47½	1¼-1 c pm	5.47	3⅞-3⅝ pm	5.26

Belgian rate is for convertible francs. Financial franc 61.65-61.75. Six-month forward dollar 1.81-1.76 c pm. 12-month 3.10-3.00c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.595-1.6050	1.5955-1.5965	0.34-0.31c pm	2.44	0.96-0.91 pm	2.34
Ireland†	1.4360-1.4440	1.4365-1.4375	0.38-0.33c pm	2.95	0.98-0.85 pm	2.54
Canada	1.3205-1.3240	1.3205-1.3215	0.21-0.24c dis	−2.04	0.59-0.62 dis	−1.83
Netherlands	2.0885-2.1005	2.0995-2.1005	0.27-0.23c pm	1.43	0.81-0.76 pm	1.50
Belgium	38.45-38.65	38.50-38.60	3pm par	0.47	6-1 pm	0.36
Denmark	7.03½-7.07¼	7.07¼-7.07¾	1.20-1.90ore dis	−2.64	5.10-5.80 dis	−3.09
W. Germany	1.8550-1.8660	1.8650-1.8660	0.44-0.41pf pm	2.74	1.36-1.32pm	2.88
Portugal	145-145½	145¼-145½	80-120c dis	−8.33	290-330 dis	−8.61
Spain	127.05-127.55	127.40-127.50	110-140c dis	−11.79	310-360 dis	−10.53
Italy	1347-1348¼	1347¾-1348¾	4.00-5.00lire dis	−4.02	11.00-14.00dis	−3.72
Norway	6.77¼-6.79¾	6.79¼-6.79¾	4.10-4.60ore dis	−7.69	11.80-12.30dis	−7.10
France	6.17¼-6.20½	6.20-6.20½	0.45-0.55c dis	−0.97	1.50-1.80 dis	−1.07
Sweden	6.46-6.48¼	6.47¾-6.48¼	0.95-1.25ore dis	−2.04	3.30-3.70 dis	−2.16
Japan	151.80-152.75	152.65-152.75	0.41-0.38y pm	3.11	1.08-1.03 pm	2.77
Austria	13.05-13.09¾	13.07½-13.08	3.20-2.80gro pm	2.76	8.75-7.75pm	2.53
Switzerland	1.5405-1.5490	1.5475-1.5485	0.42-0.37c pm	3.07	1.17-1.12 pm	2.97

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70.

EURO-CURRENCY INTEREST RATES

July 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¾-9	8⅞-9	9-9⅛	9⅛-9¼	9⁵⁄₁₆-9⁷⁄₁₆	9⁷⁄₁₆-9⁹⁄₁₆
U.S. Dollar	6½-6⅝	6½-6⅝	6⅝-6¾	6¾-6⅞	6¹⁵⁄₁₆-7¹⁄₁₆	7³⁄₁₆-7⁵⁄₁₆
Can. Dollar	8⅜-8⅝	8⅜-8⅝	8⁷⁄₁₆-8⁵⁄₁₆	8⅞-8⅝	8⅞-8⅝	8⅞-9⅛
D. Guilder	5⅛-5¼	5³⁄₁₆-5⁵⁄₁₆	5³⁄₁₆-5⁵⁄₁₆	5¼-5⅜	5⅜-5½	5⅜-5½
Sw. Franc	½-1⅛	1¼-1½	3⅝-3¾	3¹³⁄₁₆-3¹⁵⁄₁₆	3⅞-4	3¹⁵⁄₁₆-4¹⁄₁₆
Deutschmark	3⅞-4	3¹³⁄₁₆-3¹⁵⁄₁₆	3¹³⁄₁₆-3¹⁵⁄₁₆	3⅞-4	4-4⅛	4⅛-4¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 7⅞-8 per cent; three years 8¼-8⅜ per cent; four years 8⅜-8½ per cent; five years 8⅝-8¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 21	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.336	0.536	1.	81.86	3.325	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.103	6.548	12.22	1000.	40.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.010	1.612	3.008	246.2	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.405	0.646	1.205	98.68	4.006	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.298	0.476	0.888	72.71	2.953	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.465	0.742	1.384	113.3	4.603	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.474	0.757	1.413	115.7	4.698	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.625	2.593	4.838	396.0	16.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds lose ground

LONG TERM gilt futures weakened on the London International Financial Futures Exchange yesterday, but volume remained active at over 30,000 contracts.

September delivery long gilts opened lower at 122-27, depressed by Monday's figures on UK retail sales and bank lending. A decline of the pound against the D-Mark and on the exchange rate index, in early trading, was another negative factor.

Dealers said that there was also a gap in the charts between 122-24 and 122-16, and previous experience suggests this has to be filled before the market can find new direction.

After falling to a low of 122-16 the September contract recovered back to 122-25, and rose to a peak of 123-04, before closing at 122-28, compared with 123-09 on Monday.

The market sees a downward support level of 121-28, but there was no impact from yesterday's lower trend in oil prices. On the other hand there may be a test of support today if the May UK trade figures disappoint.

The market is looking for a trade deficit of about £600m, and a current account roughly in balance.

US Treasury bonds for September delivery opened weak at 91-07, after a fall by the dollar, but rose to around 91-12, ahead of testimony by Mr Alan Greenspan and Mr Paul Volcker, the incoming and outgoing chairman of the Federal Reserve Board, before Congress. The contract fell to 91-06, but then recovered on the comments by Mr Greenspan, suggesting little change in monetary policy.

It rallied to a peak of 91-15, and closed at 91-14, compared with 91-23 previously.

Japanese Government bonds began on a firm note, after the authorities in Tokyo denied rumours about a rise in the Japanese prime rate. September delivery opened at 107-52, but fell on Mr Greenspan's testimony, to close at 106-87, against 106-05

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	6.57	7.20	0.01	0.38
118	4.62	5.47	0.06	1.01
120	3.10	4.22	0.18	1.40
122	1.45	3.12	0.53	2.30
124	0.46	2.20	1.54	3.38
126	0.17	1.38	3.25	4.56
128	0.05	1.04	5.13	6.22
130	0.01	0.45	7.09	7.63

Estimated volume total, Calls 1,522 Puts 2,230
Previous day's open int: Calls 26,844 Puts 17,737

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.30	6.54	0.02	0.24
86	5.36	5.14	0.08	0.48
88	3.51	3.51	0.23	1.21
90	2.13	2.40	0.49	2.10
92	0.54	1.46	1.26	3.16
94	0.15	1.04	2.51	4.38
96	0.03	0.40	4.39	6.10
98	0.01	0.22	6.37	7.56

Estimated volume total, Calls 330 Puts 2
Previous day's open int: Calls 1,731 Puts 978

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
23250	10.20	11.49	0.00	1.29
23500	7.70	9.58	0.00	1.88
23750	5.25	7.84	0.05	2.64
24000	3.00	6.29	0.30	3.59
24250	1.30	4.95	1.10	4.75
24500	0.39	3.81	2.69	6.11
24750	0.07	2.87	4.87	7.67
25000	0.03	2.11	7.31	9.41

Estimated volume total, Calls 38 Puts 12
Previous day's open int: Calls 230 Puts 190

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

20-YEAR 12% NOTIONAL GILT

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

DEUTSCHE MARK (IMM)

THREE-MONTH STERLING

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

FT-SE 100 INDEX

THREE-MONTH EURODOLLAR

U.S. TREASURY BONDS 8%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING

LIFFE—STERLING £25,000 $ per £

MONEY MARKETS

Firmer tone in London

INTEREST RATES had a firmer tone in the London money market yesterday, on fears that recent economic data point towards a possible rise in UK bank base rates. Three-month sterling interbank rose to 9¼-9⅛ per cent from 9¹⁄₁₆-9¹⁄₁₆ per cent, and 12-month to 9⁷⁄₁₆-9⅜ per cent from 9⁵⁄₁₆-9¼ per cent.

The upward trend was a further reaction to Monday's figures on higher than forecast UK bank lending and retail sales, leading to fears of a consumer led boom and rising inflation.

UK clearing bank base lending rate 9 per cent since May 8

Today's UK trade figures for May, delayed by industrial action at the Customs and Excise computer centre, are the next major test for the market, with most forecasters looking for a flat current account figure, and a trade deficit of about £600m.

The Bank of England initially forecast a money market shortage of £200m, but revised this to £150m at noon, and provided total help on the day of £192m.

Before lunch the authorities bought £141m bank bills outright, in band 4 at 8⅝ per cent. In the afternoon the Bank of England purchased another £31m bills outright, by way of £32m bank bills in band 1 at 8⅞ per cent; £14m bank bills in band 2 at 8⅝ per cent; and £5m bank bills in band 4 at 8⅝ per cent.

Late assistance of around £30m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £540m. This outweighed Exchequer transactions adding £155m to liquidity, a fall in the note circulation of £40m, and bank balances above target of £145m.

In Frankfurt call money rose to 3.95 per cent from 3.925 per cent, with dealers divided whether the rate funds are allocated will rise at today's securities repurchase agreement tender.

The Bundesbank set a 28-day facility with a minimum bid rate of 3.50 per cent. Recent pacts have carried a minimum allotted rate of 3.55 per cent, but there has been speculation that tightness in the market will push the minimum rate that banks bid for money up to 3.60 per cent.

A total of DM8.1bn will drain from the market today, as an earlier agreement expires, and the market is waiting to see the level of new funds provided by the central bank.

In Amsterdam the Dutch Central Bank announced five-day special advances at an unchanged rate of 5.1 per cent, from July 22 to 27.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 21) 3 months U.S. dollars / 6 months U.S. dollars

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

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WORLD MARKETS

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Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 21 1987					MONDAY JULY 20 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	147.45	+0.2	136.98	138.38	2.84	147.19	136.22	138.77	148.14	99.92	76.25
Austria (16)	100.63	+3.7	93.48	97.18	2.13	97.02	89.79	93.69	101.62	85.53	87.38
Belgium (48)	125.69	+0.1	116.76	119.80	3.99	125.53	116.17	119.80	126.72	96.19	81.83
Canada (132)	137.00	−0.9	127.27	131.05	2.13	138.23	127.92	131.97	138.59	100.00	95.68
Denmark (39)	112.57	−0.3	104.57	108.32	2.56	112.96	104.54	108.46	124.10	98.18	93.77
France (121)	105.42	−1.1	97.93	102.56	2.76	106.64	98.69	103.63	121.82	98.39	86.14
West Germany (92)	98.47	−0.7	91.47	95.50	1.98	99.17	91.78	96.00	100.33	84.00	77.70
Hong Kong (45)	134.13	−0.9	124.60	134.45	2.69	135.36	125.27	135.71	135.36	96.89	71.41
Ireland (14)	139.42	−1.9	129.51	136.71	3.28	142.12	131.52	139.11	145.41	99.50	89.79
Italy (76)	97.18	−0.4	90.27	97.83	1.85	97.59	90.31	98.02	112.11	93.47	84.47
Japan (458)	125.51	−1.2	116.59	121.15	0.56	127.05	117.58	122.71	161.28	100.00	87.98
Malaysia (36)	186.29	+0.4	173.05	182.83	2.05	185.61	171.78	182.31	186.58	98.24	77.87
Mexico (14)	298.88	−0.9	277.64	454.88	0.66	301.54	279.06	456.29	301.54	99.72	52.09
Netherland (38)	127.60	+0.1	118.53	122.30	3.62	127.41	117.92	121.83	127.97	99.65	89.50
New Zealand (26)	109.44	+0.1	101.67	95.75	2.93	109.30	101.15	95.79	109.44	83.93	73.20
Norway (24)	151.48	−0.1	140.72	139.71	1.95	151.58	140.28	139.59	152.14	100.00	95.99
Singapore (27)	163.97	+0.4	152.32	160.31	1.55	163.35	151.17	159.78	163.97	99.29	77.01
South Africa (61)	180.59	+1.9	167.76	131.61	3.13	177.15	163.95	129.10	186.74	100.00	70.03
Spain (43)	128.65	−0.2	119.51	124.21	3.25	128.90	119.29	124.46	128.90	100.00	82.96
Sweden (33)	118.92	−0.3	110.47	114.08	2.03	119.31	110.41	114.27	124.68	90.85	90.12
Switzerland (53)	102.22	−0.6	94.95	98.10	1.69	102.81	95.15	98.83	104.06	92.01	80.00
United Kingdom (336)	155.95	−0.9	144.87	144.87	3.02	157.39	145.65	145.65	162.87	99.65	94.13
USA (591)	125.94	−0.9	116.99	125.94	2.88	127.09	117.62	127.09	128.24	100.00	99.70
Europe (933)	125.43	−0.7	116.52	119.45	2.73	126.33	116.91	120.01	128.35	99.78	87.03
Pacific Basin (686)	126.66	−1.1	117.66	122.18	0.74	128.09	118.54	123.67	158.77	100.00	86.99
Euro—Pacific (1619)	126.22	−1.0	117.25	121.11	1.53	127.44	117.94	122.22	143.65	100.00	87.00
North America (723)	126.53	−0.9	117.54	126.25	2.83	127.69	118.17	127.39	128.80	100.00	99.49
Europe Ex. UK (597)	106.48	−0.5	98.92	103.55	2.46	107.04	99.06	103.96	107.75	98.02	82.75
Pacific Ex. Japan (228)	140.74	−0.2	130.74	134.60	2.70	140.96	130.45	135.17	140.96	99.92	74.48
World Ex. US (1826)	127.30	−0.9	118.25	121.82	1.58	128.47	118.89	122.88	143.38	100.00	87.10
World Ex. UK (2081)	123.87	−0.9	115.07	121.33	1.96	125.01	115.69	122.46	133.61	100.00	91.84
World Ex. So. Af. (2356)	126.38	−0.9	117.40	123.41	2.07	127.57	118.06	124.53	135.02	100.00	92.15
World Ex. Japan (1959)	127.34	−0.8	118.29	124.64	2.79	128.32	118.76	125.50	129.24	100.00	93.95
The World Index (2417)	126.73	−0.9	117.72	123.51	2.08	127.89	118.36	124.60	135.15	100.00	92.02

Base values: Dec 31, 1986 = 100

Belgian markets closed for public holiday.

Corrected indices for July 20: United Kingdom, Europe, Europe-Pacific and World Ex Japan.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$400	6	56	60	62.50	—	—	$452.20
GOLD C	$460	136	6.50	16	20	3	32	"
GOLD C	$480	100	3.50A	1	15	—	—	"
GOLD C	$500	110	1.90	14	9	78	17	"
GOLD C	$520	—	—	26	5.80	—	—	"
GOLD P	$420	—	—	8	4.10	—	—	"
GOLD P	$440	—	—	15	7.50	—	—	"
		Aug 87		Sep 87		Oct 87		
£/Fl.C	Fl.335	—	—	10	2.30	—	—	Fl.335.87
£/Fl. P	Fl.335	—	—	10	4.50	—	—	"
		Dec 87		Mar 87		Jun 87		
$/Fl. C	Fl.340	—	—	10	2.50	—	—	Fl.335.87
		Aug 87		Sep 87		Oct 87		
$/Fl. C	Fl.200	—	—	13	9.20	—	—	Fl.209.53
$/Fl. C	Fl.205	35	4.70B	16	5.40	—	—	"
$/Fl. C	Fl.215	40	0.50	16	1.50	—	—	"
$/Fl. P	Fl.200	5	0.30	—	—	—	—	"
$/Fl. P	Fl.205	40	0.90	5	2	1	2.80	"
		Dec 87		Mar 88		June 88		
$/Fl. C	Fl.190	—	—	10	19.50	—	—	Fl.209.53
$/Fl. C	Fl.195	—	—	—	—	19	14.70	"
$/Fl. C	Fl.205	3	7.20	27	8	—	—	"
$/Fl. C	Fl.210	20	4.60B	14	5.95	—	—	"
$/Fl. C	Fl.215	—	—	17	4.20	—	—	"
$/Fl. P	Fl.190	20	0.80	—	—	—	—	"
$/Fl. P	Fl.195	10	1.20	—	—	—	—	"
$/Fl. P	Fl.200	20	2.70	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.480	428	23.60	8	32	—	—	Fl.493
ABN P	Fl.480	350	12.10	19	14.90	20	18	"
AEGON C	Fl.95	158	7	15	9.20	—	—	Fl.98.50
AEGON P	Fl.100	133	5.50	20	6.50	—	—	"
ANOLD C	Fl.110	24	4.70	—	—	—	—	Fl.108.20
AHOLD P	Fl.100	109	2.60	5	4	—	—	"
AHOLD P	Fl.109.10	46	5.50	—	—	—	—	"
AKZO C	Fl.180	930	6.30	89	9.30	11	13	Fl.168.70
AKZO P	Fl.170	373	8.60	40	10.80	14	12.80	"
AMEV C	Fl.70	464	3	65	4.50A	2	5.80	Fl.68.20
AMEV P	Fl.65	100	2.20	6	3.10	—	—	"
AMRO C	Fl.85	742	3.90	114	6.50	2	7	Fl.85.20
AMRO P	Fl.80	186	2.20	3	3.40	—	—	"
ELSEVIER C	Fl.60	385	3	9	4.10	—	—	Fl.55.20
GIST-BROC. C	Fl.50	579	4.60	68	5.70	—	—	Fl.50.90
GIST-BROC. P	Fl.50	443	2.80	6	4	—	—	"
HEINEKEN C	Fl.200	295	7.50	6	11	2	12.50	Fl.194.50
HEINEKEN P	Fl.190	162	6.30B	15	8	2	11	"
HOOGOVENS C	Fl.45	153	5.20	52	6.70	—	—	Fl.47
HOOGOVENS P	Fl.45	123	2.60	79	3.80	3	4.50	"
KLM C	Fl.55	395	2.10	32	3.60	4	4.90	Fl.52.80
KLM P	Fl.45	310	0.70	7	1.30	—	—	"
NEDLLOYD C	Fl.150	49	8.50B	1	12.30	—	—	Fl.148.50
NEDLLOYD P	Fl.150	96	10.50	25	14.70	—	—	"
NAT.NED. C	Fl.80	1667	3.50	260	4.80	29	7	Fl.78.20
NAT.NED. P	Fl.75	360	2.60	30	3.50	—	—	"
PHILIPS C	Fl.60	1213	1.90	211	3.20	36	4.10	Fl.55.20
ROYAL DUTCH C	Fl.300	470	6.80	94	10.50	1	14	Fl.290.30
ROYAL DUTCH P	Fl.280	584	6.80	2	9	—	—	"
ROBECO P	Fl.110	56	3.50	5	4.50	—	—	Fl.108.60
UNILEVER C	Fl.144	314	6.80	51	8.80	—	—	Fl.142.60
UNILEVER P	Fl.140	349	4.50	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 40,720

A=Ask B=Bid C=Call P=Put

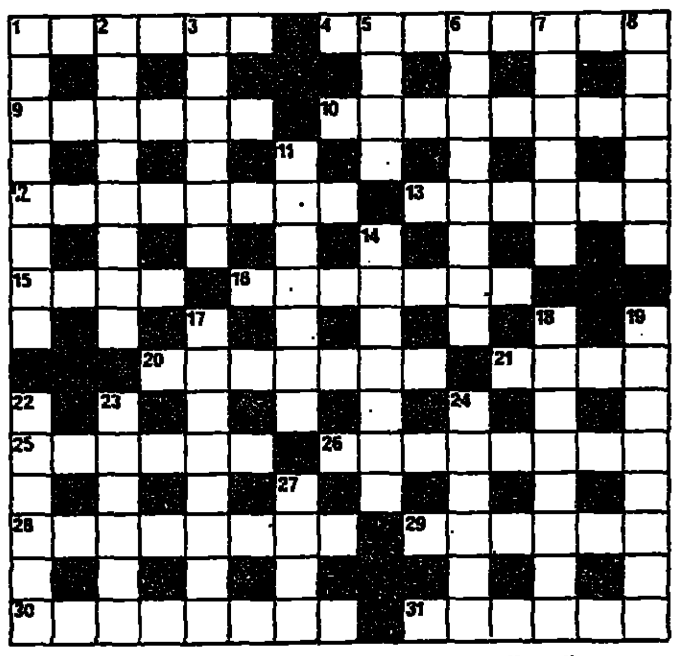
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst.C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,384

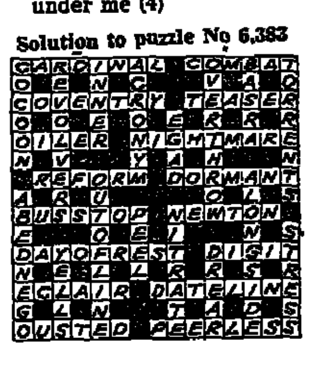
GRIFFIN



ACROSS
1 Delights church members (6)
4 Always close back door before clergyman (8)
9 Adult pair you are heard accepting (6)
10 Do revile terribly wicked person (8)
12 Slowcoach tries to move round inside (8)
13 Judge fools leading solicitor (6)
15 A girl appeared (4)
16 Types note to girls — (7)
20 — or returns to play guitar on stage (7)
21 Left one with performing animal (4)
25 Made detour round America when diverted (6)
26 Miss Spanish cook in a store (8)
28 Watch gossip (8)
29 Strip tease first seen behind seedy clubs (6)
30 Was important and met trade organisation (8)
31 Beat youth leader with spirit (6)

DOWN
1 People rest here when late (8)
2 Star finds broken seat a hazard (8)
3 Stupid moron holding a firework (6)
5 Messenger drops ring out of jealousy (4)
6 An unusually silent man enrolled (8)
7 Ran off to become union members (6)
8 Clothing first used during confinement (6)
11 Is dead duck in quarantine? (7)
14 A new 8 down is guaranteed (7)
17 Preside over meeting with medium (8)
18 Stacks it in a way that's cruel (8)
19 Minor transport system for soldiers (8)
22 Marcus has broken bone (6)
23 One often suspended for entertaining people? (6)
24 Rude shop I left in the finish (6)
27 A lot of water engineers are under me (4)

Solution to puzzle No 6,383



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)

33 King William St, EC4R 9AS 01-280 2060

American Growth	113.0	119.5	-0.6	0.72
Accum Units	118.4	125.2	-0.7	0.72
British Blue Chip Fund	53.7	56.8	-0.6	2.15
Accum Units	53.7	56.8	-0.6	2.15
American Sm Cos Fd	53.9	57.0	-0.2	0.44
(Accum Units)	53.9	57.0	-0.2	0.44
American Income	57.5	60.3	+0.0	3.69
(Accum Units)	57.0	60.3	+0.0	3.69
European Growth	149.6	158.5	+1.5	2.69
(Accum Units)	154.9	163.9	+1.4	2.69
European Income	82.9	87.7xc	+0.6	3.39
(Accum Units)	86.9	91.9xc	+0.6	3.39
General	393.2	416.0xd	-4.8	2.44
(Accum Units)	653.0	691.0	-7.9	2.44
Gilt	88.8	89.2	-0.8	7.96
(Accum Units)	105.6	106.1	-1.0	7.96
Global Fund	50.4	53.3	-0.3	0.68
(Accum Units)	50.4	53.3	-0.3	0.68
High Interest Fund	47.6	50.3xd	-0.4	8.96
(Accum Units)	48.0	50.7xd	-0.4	8.96
High Income Fund	54.8	57.9xd	-0.9	4.39
(Accum Units)	55.6	58.8xd	-0.9	4.39
Income	103.4	107.9	-1.3	2.95
(Accum Units)	149.5	158.1	-1.5	2.95
International	292.4	309.3xd	+0.0	1.10
(Accum Units)	365.9	387.1xd	-0.1	1.10
Japan	188.5	199.4	-0.8	0.54
(Accum Units)	193.4	204.6	-0.8	0.54
Pacific Fd	58.1	61.4xd	-0.1	0.10
(Accum Units)	58.1	61.4xd	-0.1	0.10
Recovery	327.7	346.7	-5.0	1.58
(Accum Units)	356.3	377.0	-5.5	1.58
UK Smaller Co's Fd	55.9	59.1	-0.5	1.71
(Accum Units)	55.9	59.1	-0.5	1.71
Exempt May 27	362.8	372.1	-9.3	2.21
(Accum Units)	582.6	597.5		2.18

Merlin Fund Mngmnt Ltd

33 King William St, London EC4R 9AS 01-638 5678

Merlin July 7	569.6	584.2	-23.3	2.21

Metropolitan Unit Trust Mngrs Ltd

3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	65.6	69.7	-0.9	4.30
Accum Units	65.6	69.7	-0.9	4.30
UK Growth Fund Acc	64.9	69.0	-1	1.45
Global Income Fund	49.4	52.5	-0.3	3.81
Accum Units	49.4	52.5	-0.3	3.81

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Unit Trusts 0800 010345

Holborn Comm Tst	82.2	86.9	-0.8	0.35
Holborn Equity Income	76.3	80.7	-0.4	3.19
Holborn Equity Tst	616.9	652.7	-7.1	2.07
Holborn European Tst	119.5	126.4xd	+1.0	0.66
Holborn Gilt Tst	214.9	224.1	-2.1	2.12
Holborn High Inc Tst	92.4	97.7xd	-0.4	4.42
Holborn Intl Grth Tst	119.9	126.8xd	-0.4	.99
Holborn Japanese Tst	116.9	123.3	-0.6	0.05
Holborn N. Amer. Tst	96.6	102.2	-0.6	0.47
Holborn Sm Cos Tst	82.6	87.4	-0.9	1.33
Holborn Spec Sits Tst	107.7	115.9xd	-1.3	1.28
Holborn UK Growth Tst	122.9	130.0	-0.3	1.44

Quilter Management Co Ltd

31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	709.8	746.9	—	1.31
Quadrant Income	358.5	371.0xd	—	3.88
Quadrant Intl. Fund	457.0	488.7	—	1.09
Quadrant Spec. Sits	497.3	526.3	—	1.29

Reliance Unit Mgrs. Ltd

Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	252.6	268.6	-3.3	2.14
Reliance Unit Tst (Inc)	177.5	188.8	-2.8	1.71
Reliance Ut Tst (Acc)	238.9	254.0	-3.7	1.71

Rensburg Fund Managers

Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.5	53.2	-0.2	1.5

N.M. Rothschild Fund Mgmt

St Swithin's Lane, London EC4 01-634 2903/4

NC America (Inc)	330.2	352.3xd	-2.9	0.76
NC America (Acc)	365.4	388.7	-3.0	0.76
NC Inc Fd	131.9	140.3	-1.8	2.48
NC Japan Fd	189.6	201.7	-2.2	—
NC Major UK Cos Fd	74.0	78.7xd	-0.7	1.53
NC Smllr Australasian	90.0	96.6	+0.9	0.48
NC Smllr Canadian Cofd	49.4	52.5	-0.1	0.93
NC Smaller Cos	252.3	268.9	-2.0	0.86
NC Smaller European	194.5	206.9	+1.3	0.46
NC Prop.*	157.2	171.4		0.3

*Unauthorised Unit Trusts

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

[illegible]	461.1	485.4		
[illegible]	280.4	295.2		
[illegible]	601.4	633.0		
[illegible]	365.6	380.0		
[illegible]	204.5	215.3		
[illegible]	256.8	269.7		
[illegible]	433.2	345.5		

Pension Fund Prices

Managed Init	335.2			—
Do Accum	410.3			—
Property Init	243.0			—
Do Accum	297.3			—
Equity Init	453.1			—
Do Accum	553.6			—
Gilt-Edged Init	236.4			—
Do Accum	289.5			—
Guaranteed Init	157.9			—
Do Accum	193.3			—
International Init	502.3			—
Do Accum	618.2			—
Index Lk Gilt Init	137.9			—
Do Accum	168.6			—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	301.9		+0.1	—
Property Pens	398.6		+0.1	—
Equity	211.3		-1.5	—
Equity Pens	962.5		-4.5	—
Money Market	314.7		-3.3	—
Money Mkt Pens	564.5		+6.0	—
Deposit	236.8		+0.1	—
Deposit Pens	377.0		+0.2	—
Managed	306.4		-1.7	—
Managed Pens	595.0		-4.5	—
Intl Equity	353.5		+0.1	—
Do Pens	573.1		+0.2	—
Intl Managed	326.1		-1.1	—
Do Pens	485.6		-2.2	—
North American	133.7		-0.1	—
Do Pens	153.9		-0.3	—
Far East	388.7		-0.1	—
Do Pens	421.0		+0.0	—
Intnl Currency	174.2		+0.0	—
Do Pens	227.5		+0.0	—
Index Linked	134.4		-0.1	—

National Provident Inst.—Contd.

Far East Initial	465.5	490.1	-2.3	
Far East	556.7	586.0	-2.6	—
Prop Initial	140.3	147.7	-0.8	—
Prop	167.8	176.7	-0.1	—
Fixed Int Initial	189.7	199.7	-1.6	—
Fixed Int	226.9	238.9	-2.1	—
Indexed Gilt Initial	104.6	110.2	-0.4	—
Indexed Gilt	123.9	130.5	-0.6	—
Deposit Initial	134.6	141.7	...	—
Deposit	162.6	171.2	...	—

NPI Pensions Management Ltd

Managed Fund	952.2	969.2	...	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	58.3	61.4	-0.2	—
Stock Market Mngd Fund	59.9	63.1	-0.2	—
Equity Fund	66.5	70.2	-0.4	—
International Fund	54.3	57.2	-0.1	—
European Fund	57.7	60.8		—
North American Fund	51.2	53.9	-0.1	—
Pacific Fund	60.3	63.5	-0.2	—
Property Fund	50.7	53.4		—
Fixed Interest Funds	50.4	53.1	-0.4	—
Index Linked Sec Fund	46.3	48.8	-0.3	—
Deposit Fund	50.8	53.5		—

NUAM Retirement Plans

Mixed Fund	63.2	66.6	-0.5	—
UK Ordinary Share	77.8	81.9	-1.0	—
International Fund	55.9	58.9	-0.2	—
Property Fund	51.7	54.5		—
Fixed Interest Fund	52.4	55.3	-0.4	—
Index Linked Sec Fund	46.6	49.1	+0.1	—
Deposit Fund	52.7	55.5		—

NUAM (MF)

Managed Fund	798.5	840.6	-3.2	—
Equity Fund	1779.0	1872.7	-11.8	—
Property Fund	315.6	332.3	+0.1	—
Fixed Interest Fund	371.6	391.2	-2.2	—
Deposit Fund	207.3	218.3		—
International Fund	140.8	148.3	-0.2	—
Index Linked Sec Fund	46.3	48.8	-0.3	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Provident Mutual Life Assc.—Contd.

Pension Funds

Managed Ord	338.6
Managed Init	287.1
Equity Ord	530.0
Equity Init	453.3
Pen Ind Lkd Gilt Ord	121.8
Pen Ind Lkd Gilt Init	108.9
Overseas Equity Ord	324.7
Overseas Equity Init	277.7
Property Ord	152.6
Property Init	130.5
Fixed Interest Ord	173.2
Fixed Interest Init	148.1
Deposit Ord	153.9
Deposit Init	131.6

Provincial Life Assurance Co Ltd

Stramongate, Kendal, Cumbria

Managed Fd	610.1
Cash Fd	207.9
Property Fund	222.8
Equity Fund	721.6
Fxd. Int. Fund	282.0
International	335.2
High Income	510.2
Far East	394.2
North American	268.1
Special Sits	493.1
Technology	293.9
Extra Inc Fd	290.9
Convertible & Gilt Fd	168.5
American Income	116.3
Gilt Fund 20	292.1
European Fund	100.2
Managed Pens. Acc.	549.1
Deposit Pens. Acc.	203.5
Property Pens. Acc.	212.7
Fix. Int. Pens. Acc.	333.5
Equity Pens. Acc.	750.8
International Pens Acc.	302.5
High Inc Pens Acc.	512.9
Tech Pens Acc	191.6
N American Pens Acc.	183.4
Far Eastern Pens Acc.	390.6
Special Sits Pens Acc.	547.8
Extra Income Pens Fd.	325.0
Convertible & Gilt Pen	178.6
American Inc Pens	127.3

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100½	Treas. 12pc 1987	100½	–⅛	11.91	9.00
99⅞	97½	Treas 7¾pc 1985-88‡‡	99⅜	–⅛	7.77	8.20
102¼	99½	Exch 10½pc '88	100½	–⅛	10.40	9.14
101½	98½	Treas 9¾pc Cv '88	100½	–⅛	9.70	9.07
97⅛	93⅛	Transport 3pc '78-88	97⅛	–⅛	3.09	6.20
101⅝	98⅛	Treas. 9½pc '88	100½	–⅛	9.47	9.12
105½	101⅛	Treas 11½pc 1989	103½	–¼	11.12	9.12
102⅛	97½	Treas 9½pc Cnv 1989	100½	–⅛	9.44	9.09
94½	89¼	Treas 3pc 1989	94½	–⅛	3.17	6.24
104⅝	99½	Treas 10½pc 1989	102¼	–⅛	10.27	9.17
103⅛	98½	Exch 10pc 1989	101½	–⅛	9.85	9.14
105¼	100⅝	Exch 11pc 1989	103½	–⅛	10.62	9.13
95½	89⅛	Treas 5pc 1986-89	95¼	–⅛	5.25	7.35
108⅛	100¼	Exch 10¼pcCv '89	104⅛	–⅛	9.83	8.13
111⅛	105⅝	Treas 13pc 1990‡‡	108⅛	–⅛	11.99	9.12
106½	100½	Exch 11pc 1990‡‡	103½	–⅛	10.57	9.17
110⅛	104½	Exch. 12½pc 1990	107½	–⅛	11.62	9.22
91½	84½	Treas. 3pc 1990	91⅛	–⅛	3.28	6.44
100⅛	93½	Treas 8¼pc 1987-90‡‡	98½	+⅛	8.36	8.78
105	97½	Treas. 10pcCv 1990	102⅛	–⅛	9.79	9.20
89½	81⅛	Exch 2½pc 1990	89	–⅛	2.81	6.19
110½	103¼	Treas 11¾pc 1991	107¼	–¼	10.94	9.18
95⅛	87¼	Funding 5¾pc '87-91‡‡	93½	–⅛	6.15	7.81
89⅛	80¼	Treas. 3pc 1991	88¼	.....	3.38	6.37
110⅝	100⅛	Treas 10pc Cv '91 ‡‡	104¼	–⅛	9.59	8.52
109⅝	101⅛	Exch. 11pc 1991	106⅛	–⅛	10.36	9.20
—	—	Treas. 8pc 1991 (20pd)●	97¼	....	8.23	8.78
116⅛	108⅛	Treas 12¾pc 1992‡‡	112½	–¼	11.30	9.19
106⅛	97½	Treas 10pc 1992	102½	–⅛	9.71	9.16
99½	95⅛	Treas. 8pc 1992 ‡‡	95½	–¼	8.15	8.47
108½	99½	Treas 10¼pc Cv 1992‡‡	104½	–¼	10.00	9.16
85⅝	85½	Treas. 3pc 1992	85⅝	....	3.50	6.46
		Five to Fifteen Years				
115⅞	106⅛	Exch. 12¼pc '92	112⅛	–⅛	10.95	9.22
121⅛	111⅛	Exch 13½pc 1992	116½	–⅛	11.57	9.33
107⅛	97½	Treas 10pc 1993‡‡	103⅛	–⅛	9.67	9.21
118⅛	108½	Treas 12½pc 1993‡‡	114⅝	–⅛	10.91	9.25
95⅞	82¼	Funding 6pc 1993‡‡	91½	–⅛	6.56	7.77
125⅛	114½	Treas 13¾pc 1993‡‡	120⅝	–⅛	11.41	9.35
129½	119⅛	Treas 14½pc 1994‡‡	125¼	–¼	11.59	9.31

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	..	3.50	16.60
50	40	Do 6pc 28 Stb Ass.	50		3	16.00
47	45	Do 4pc Mixed Ass	47		2	14.25
66	58	Hung. '24 Ass	65		2.75	14.23
146½	122	Hydro Quebec 15pc 2011	140	–½	15.00	10.41
94	23	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do 14½pc Ln 2016	129¼	–1	14.50	11.08
103½	94	Ireland 9¾pc '91-96	100¼	–½	9.75	9.58
98½	85	Japan 6pc '83-88	85	...	—	—

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¼	22½	Sara Lee $1	27½xd	−⅝	$1.00	—	2.2
11¼	8½	Saul (B. F.) $1	10⅝c	+⅛	20c	—	1.2
26¼	19½	Southwestern Bell $1	22	−¼	h$2.32	—	6.5
18⅝	14¼	Staley Commercial	17¼	−¼	80c	—	2.8
44¾	36⅞	Sun Co Inc $1	41¼xd	−½	$3.00	—	4.4
37	26½	TRW Inc. $1¼	34¼	−⅝	t$1.60	—	2.8
32½	25⅞	Tenneco $5	32⅛	−⅛	$3.04	—	5.8
187½	149½	Do 10%Ln.Stk 91-5	187½xd		10%	—	15.5
28¾	17¾	Texaco $6.25	28½xd	+¼	$3.00	—	6.5
65¼	47½	Time Inc. $1	64⅞	−½	$1.00	—	1.0
14½	11	Tracor $0.33	12¼	+⅛	40c	—	1.9
26⅞	18⅞	Transamerica $1	25½	−½	$1.76	—	4.2
12⅝	922c	Transworld Corp $5	11⅞	+⅛	20c	—	1.0
46¼	29½	TRINOVA Corp.	46⅛	+⅝	h$1.00	—	1.3
24¼	15¼	♥USX $1	23⅝	−⅛	$1.20	—	3.1
19⅝	15⅜	Union Carbide $1	18½	+⅛	$1.50	—	5.0
35¼	26⅞	Utd Technologies	33⅞	−⅛	$1.40	—	2.5
38⅝	27	US West	31¼	+⅛	$3.28	—	6.3
26½	17⅝	Waste Management $1	26½	+¼	—	—	—
£22¼	£20¼	Whirlpool $1.0	£21¼	−⅛	—	—	—
35⅝	26	♥Woolworth $3½	35	−⅛	$1.32	—	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
22p	10p	♥Abbot Energy Corp.	19p		—	—	—
12⅝	50cp	♥Amer. Barrick Res	12½xc		—	—	—
122p	52p	Armeno	73p	−6	—	—	—
19½	14⅝	Bk Montreal II	16⅛	−⅛	$2.00	—	5.7
10½	745p	Bk Nova Scotia II	849p	−13	72c	—	3.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	403	.....	†q9.25	2.9	3.1	15.1
430	316	Pearl Group 5p	420	−5	10.5	—	3.5	—
*£11¼	804	Prudential	£10½	−⅛	29.0	—	3.8	—
580	433	Refuge 5p	578	−2	15.79	—	3.7	—
589	423	Royal	567	−20	b15.5	—	3.7	—
103	89	Sabre Ins. Hws.	96	−2	—	—	—	—
*344	274	Sedgwick Group 10p	329	+7	12.0	1.7	5.0	14.0
339	207	Steel Burrill J.10p	325	+1	9.0	2.0	3.8	18.1
668	403	Stewart Wr. 20p	643	−22	13.0	2.0	2.8	22.8
612	377	Sturge Hldgs 20p	610	−2	‡6.0	2.5	1.4	39.8
£10⅝	645	Sun Alliance	£10⅝	+¼	23.5	—	3.0	—
£12½	929	Sun Life 5p	£12	−¼	26.5	—	3.1	—
£69	£39	♥Taisho M EOR	£44½	−½	Q10%	—	1.0	—
£21¼	£14⅝	Torchmark $1.00	£18	.....	Q60c	—	2.0	—
375	235	Trade Indemnity	370	.....	4.3	—	1.6	—
£34	£24¾	Travelers $1.25	£28	+¼	$2.28	—	5.0	—
£30¼	£22⅝	USF & G Corp $2.50	£24⅝	−¼	Q$2.48	—	6.2	—
£32½	£20⅝	USLIFE Corp. $1.0	£24½	+¼	Q$1.20	3.2	3.0	5.4
725	555	✧Utd Friendly B 10p	718	.....	21.0	—	4.0	—
464	367½	Willis Faber 12½p	435	−20	10.75	1.9	3.4	21.9
89	41	Windsor Secs. 10p	71	.....	†0.7	1.5	1.4	65.5

LEISURE

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
34	11½	✧A & M Group 10p	30½	−1	0.4	2.0	1.8	38.1
83½	69	A-R TV Pref. £1	80	.....	5.95	48.1	12.2	—
202	189	Airtours 10p	208	−2	R5.4	2.5	3.7	15.1
*549	302	Anglia TV	434	−8	†q11.25	3.3	3.6	12.0
184	108	✧Aspinall Hldgs. 10p	159	−4	6.0	1.2	5.2	21.8
141	63	✧Avesco 1p	120	.....	0.5	6.7	0.6	33.9
65	40	✧BCE Hldgs 5p	59	−1	Rd1.0	3.0	2.3	19.6
255	132	Barr & W.A.T. 'A'	245	.....	8.0	1.4	4.5	20.0
58	19	Boad Media	42	.....	—	—	—	—
225	165	Boosey & Hawkes	225	.....	—	—	—	—
83	45	✧Border T.V.	64	−4	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
140	84	Anglo-Dominion	104		—	—	—
90	21	♥Colby Res Corp	52	−3	—	—	—
*300	127	Cons. Murch 10c	257xr		Q60c	4.4	6.5
*70½	37½	✧Emess Int. 10p	58	−1	—	—	—
356	151	Greenwich Res.	346	−3	—	—	—
£12⅝	963	Hemlo Gold Mines	£12¼	+⅛	—	—	—
355	189	♥Highwood Res	313	−30	—	—	—
£25⅞	£16⅝	Homestake Mining $1	£23⅞	+⅛	Q25c	—	3.5
442	150	♥McFinley Red Lake	431	−1	—	—	—
166	86	♥Moto Explorations	120	−3	—	—	—
116	37½	♥New Sabina Res C$1	116	+7	—	—	—
580	200	Northgate C$1	537	+10	—	—	—
237	104	Nor-Quest Resources	180		—	—	—
£12⅝	698	RTZ	£12½	+⅛	23.5	2.7	2.6
£359¾	£113¾	Do. 9½pcLn '95-2000	£255	−2	Q9½%	37.5	(3.7

THIRD MARKET

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelson Group 10p	445	−20	3.5	2.7	1.1	42.9
45	28	Aberdeen Am Pet 10p	45	+1	—	—	—	—
125	110	Allied Ins. Brokers	120		L3.5	2.5	4.1	13.9
83	74	Amerdeur Energy 10p	74	−5	—	—	—	—
46	9	Ardmore Pet 'A'	31	−4	—	—	—	—
98	45	Catalyst Comms. 5p	88	−1	—	—	—	36.6
200	163	Chelsea Artisans 5p	163	−5	—	—	—	21.8
180	155	Comac Group 5p	167	−5	—	—	—	—
151	47	Corton Beach 10p	126	−5	0.4	ϕ	0.4	ϕ
200	150	Crown Eyeglass 5p	175		—	—	—	—
285	102	Edensoring Investment	273	−2	—	—	—	—
*62	18	Eglinton Oil Ir 5p	32	−4	—	—	—	—
41	17	Do. Warrants	21	−2	—	—	—	—
170	101	Far East Res 10p	160	−3	—	—	—	—
82	17	Publishing Hldgs.5p	79	−3	—	—	—	145.8
87	45½	Theme Holdings	78	−4	1.0	ϕ	1.8	ϕ
140	111	Unit Group	140s	.....	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✧ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	90	−1
Craig & Rose £1	£20	.....
Finlay Pkg. 5p	128	+1
Holt (Jos) 25p	1083	.....
IoM Stm. £1	146	.....
IRISH		
Fund 11¼% 1988	£100¼	.....
Nat. 9¼% 84/89	£98½	.....
Fin. 13% 97/02	£110½	−¼
Arnotts	380	.....
CPI Hldgs	75	.....
Carroll Inds.	173	−3
Dublin Gas	18	.....
Hall (R. & H.)	135	+10
Heiton Hldgs.	45	+2
Irish Ropes	190	.....
Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Stock	p
Industrials	
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

Losses in equity sector reduced as Government bonds close above the session lows

Concern over the outlook for domestic interest rates continued to bear down on UK securities yesterday although both Gilt-edged and equities rallied as New York responded favourably to Congressional testimony from Mr Paul Volcker, departing chief of the US Federal Reserve, and from his successor, Dr A. Greenspan.

Both sectors opened on the downtrack as Government bonds continued to react to worries that the surge in UK bank lending will be reflected in higher import levels when the UK trade figures are announced today.

Also unsettling for equities was the confirmation that **British Petroleum** plans to raise £1.5bn in a "rights issue by any other name," as the market described the oil major's proposals. Overnight weakness in New York and Tokyo also upset London equities.

However, a rally in Gilts brought a similar recovery in share prices which were also helped by a "buy programme" from a broking house. The FT-SE 100 index, down 34 points at mid-session, closed a net 10.2 off at 2,390.5. The FT Ordinary Index at 1,872.0, lost 17.6.

Gold shares moved up on strong buying from funds alarmed by the danger of an armed clash in the Gulf of Oman. **Consolidated Gold Fields** and **RTZ** met determined buying from the Cape and the Continent.

Oil shares, however, stood up well to BP's effective rights issue and to the uncertainties in the Gulf—which could give a further boost to crude prices. **Shell closed firmly, while BP**, although easier on the day, fared better than the rest of the market and found many buyers as well as sellers.

The BP move is relatively bullish for the market, because it removes the uncertainty prompted by recent rumours of an impending rights issue. But dealers commented that there was little strength behind the market rally, and that the technical shakeout may have further to run.

Consumer stocks gave ground again as the City worried over the next trend in interest rates. With the interim profits season opening on Friday, bank shares gave ground again.

Government bonds suffered half point falls in the morning but steadied later as Wall Street reduced its early losses. Mr Volcker's comments on US monetary policy helped to calm fears of renewed inflation, but London remained nervous ahead of the UK trade figures, due early in today's session.

Losses were trimmed to show a net ⅜ at the close, but traders ascribed the rally to professional bear closing as short positions were covered.

Goldman Sachs joined its two US colleagues in offering Gilt-edged Warrants, and other houses are expected to follow suit shortly.

Babcock International, long regarded as a possible takeover target, jumped 26½ to 312p in the wake of the agreed offer from **FKI Electricals** headed by Mr Tony Gartland. At the same time FKI announced a one-for-three rights issue at 182p per share to raise over £90m.

FKI fell 15 to 188p which makes the offer worth around 319p per share. There is also a cash alternative of 310p. Only last month FKI made a recommended offer for the ailing Stone International company.

Sedgwick, the Lloyds broker, highlighted an active insurance market, with the shares aggressively bought amid rumours that the US group Transamerica could be on the verge of selling its 39 per cent stake to a potential predator.

After touching 330p early on the shares slipped to close a net 7 up at 329p, with some 4.2m shares changing hands with broker Savory Milln said to be a substantial buyer of the stock.

The financial sector suffered another widespread setback on persistent domestic and overseas profit-taking. The big four banks were on the retreat from the outset as dealers attempted to adjust their trading positions to neutral ahead of the interim dividend season which commences on Friday with figures from **Lloyds**. The latter were finally 7 cheaper at 408p—a two-day loss of 16—while **Midland**, where broker BZW has recently taken a bearish stance, fell 13 to 630p. **NatWest** dropped to 766p before steadying and closing a net 7 off at 773p while **Barclays** drifted back 6 to 638p.

Royal Bank of Scotland hardened a few pence to 433p following a handful of buying orders triggered by vague talk of a takeover bid.

Merchant banks attracted another widesprad bout of profit-taking. **Morgan Grenfell**, where dealers reported persistent overseas selling pressure, fell 10 to 532p, **Mercury International** 11 to 501p, **Kleinwort Benson** 13 to 607p. **First National Finance** ran out of steam and settled 13 down at 340p while **Equity & General** lost 7 to 73p.

The insurance sector included a number of firm features, notably **London and Manchester**, which jumped 21 to 359p following revived takeover speculation. **Abbey Life**, however, dropped 13 to 306p. Monday's flurry of bid speculation in **Royals** died away and the share retreated 20 to 567p, but **Sun Alliance** picked up to close at a 1987 high of £10⅝ on talk that America's Chubb Corporation is engaged in doubling its stake from 5 per cent to 10 per cent. Rumours of a counter bid for **Hogg Robinson** boosted the shares 11 to 636p but profit-taking left **Willis Faber** and **Stewart Wrightson** down 22 apiece at 433p and 643p.

Against a backdrop of growing fears of a rise in interest rates, Building shares came under renewed selling pressure. Most quotations ended above the day's worst but only by a few pence or so. **Blue Circle** settled 17 down at 518p, while **RMC** ended 15 cheaper at 544p. **Magnet and Southerns** gave up 14 to 378p and **BPB** 17 to 839p.

Sutcliffe Speakman rallied 12 to 150p on further consideration of the recovery in the annual profits.

In the leading retailers **Storehouse** continued to reflect bid speculations and moved up 12 to 316p on a volume of 10m shares. **Etam** dropped 9 to 327p following the £33.7m rights issue.

Another substantial turnover was seen in **GEC** which initially edged up to 252p before drifting back to 246½p and closing a net 1½ off at 249½p. **Thorn EMI** gave further ground and dipped 6 off at 775p still depressed by the prospect of a bid for United Scientific where it has recently built up a near 5 per cent stake. **United Scientific** fell 11 to 339p on profit-taking. **Arlen** dropped 8 to 232p ahead of the preliminary results due today.

Against the trend, **Molins** advanced 18 to 306p as Mr Ron Brierley's **Tozer Kemsley** increased its offer for the company. The new and final terms are seven TKM for every four Molins with a cash alternative of 300p per share. Elsewhere in the Engineering sector, **Christy Hunt** jumped 13 to 116p on the announcement of board changes and the purchase by a subsidiary of its factory site at Uttoexer. **Carlo**, currently bidding for **Deritend**, improved 10 further to 863p, with the latter gaining 2 to 510p in sympathy. Among the leaders, **GKN** met with fresh offerings and dipped to 377p, before settling above the worst with a fall of 8 on the day at 380p.

Resisting the trend, **Tesco** met with support and put on 6 to 203p along with **Sainsbury** which closed 5 firmer at 287p. Elsewhere in the Food sector, **B. Matthews**, a current bid favourite, fell away to 184p before recovering to close a penny better on the day at 180p. **Bensons Crisps**, in contrast, dipped 11 to 113p following the preliminary figures.

Among Hotels, **Grand Metropolitan** took a turn for the better on further consideration of the sale of a US subsidiary and rallied 8 to 587p. **Norfolk Capital**, however, continued to give ground following news that Scottish and Newcastle has sold its near 5 per cent and gave up 2½ more to 46p.

Leading miscellaneous industrials fuctuated sharply in a low volume of trade and prices closed with relatively modest losses after a setback in the early trade.

Elsewhere, recent high flyers met with renewed selling. **Oakwood** reacted 55to 848p and **Charles Baynes** 12 to 225p. **Christies International** were also noteworthy for a fall of 12 at 612p, while US favourite **Reuters** gave up 8 to 887p. **Tyzack Turner**, which made an agreed bid for **United Packaging** on Monday, advanced 18 to 528p, with the latter improving 18 to 233p in sympathy. Takeover speculation revived in **Amari**, up 9 at 203p, while **Excalibur Jewellery**, also reflecting speculative demand, put on 10 to 123p. **A. Wood** advanced strongly on further speculative demand to record a fresh rise of 22 at 238p before dealings were temporarily suspended at that level; the company subsequently announced that an approach has been received which may result in effective control of the company changing hands.

Among Leisure issues, **Marina Developments**, a recent speculative favourite, remained on offer and gave up 34 more to 588p. **GRA**, in contrast, staged a strong rally closing 17 to the good at 157p amid a revival of bid rumours.

Profit-taking after the preliminary figures left **Barbour Index** 45 lower at 570p.

Properties came under heavy pressure during initial dealings and fell sharply before staging a tentative rally around midday. This failed to hold, however, and prices came back again to close with fairly hefty losses on balance.

MEPC, recently the subject of intense takeover speculation, were finally 9 down at 554p. Elsewhere in the leaders **Hammerson** dropped 15 to 610p, **British Land** 9 to 305p and **Greycoat** 17 to 434p. **Wates City of London** gave up 6 to 286p. Some of the best performers in recent weeks were heavily sold with **Parkdale** 10 cheaper at 240p and **Helical Bar** 14 down at 263p. **Marler Estates**, where a near 30 per cent stake changed hands at the end of last week, dropped ¾ to £11¾.

Trust shares continued to give ground in line with the market but saw only light selling pressure. The sector was helped by the latest unit trust sales figures, which showed record levels.

News that BP is issuing £1.5bn worth of new shares in conjunction with the Government's sale of its remaining 31.7 per cent stake in the company initially depressed BP shares to 392½p before a late rally left the price a net 7 off at 395p after a turnover of 22m shares.

Other oil shares gave ground at the outset but quickly rallied to end the session with only negligible falls in most places. The UN security council's call for a cease-fire in the Gulf war failed to trigger any big selling in the sector which remained extremely nervous as the first Kuwaiti tanker under a US flag prepared to move into the Gulf.

Shell ended the session a fraction up on the day at 0000p while **Britoil** were finally little changed on balance at 326p after a turnover of 5.5m shares; the latter's interim results are due on July 31.

Elsewhere, many of the speculative oils turned easier again with **Inoco** 6 off at 81p, **Marinex** a like amount down at 48p, and **Tuskar** dropped 8 to 40p.

A combination of inflation worries and tensions in the Gulf brought a rush into gold shares as funds turned to the long-favoured hedge against threats to major international currencies.

Shares opened sharply higher on overnight buying from Cape sources, and then continued to move up as Swiss and other Continental funds came into London to buy stock. Widespread gains were chalked up by the producer issues, although prices ended a touch off the top as bullion also topped out and Wall Street opened on steadily, buttressed by comments on US monetary policy from Mr Paul Volcker, departing chief of the US Federal Reserve Board, in his annual address to Congress.

Consolidated Gold Fields stood out strongly as large-sized buyers came in for the shares from London, the Continent and the Cape. In their train, **RTZ** advanced sharply. Dealers commented that rises among the South African producer issues were spurred by a dire shortage of stock in London, particularly during the first half of the session.

Business expanded in the traded options market where turnover, made up of 42,476 calls and 17,040 puts, totalled 59,516 contracts. BP, after the fund raising announcement, attracted 3,788 calls and 633 puts, while GEC, after the profits upgrading by a leading US house, showed 5,174 calls and 183 puts.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks dealt in for the call included **Rotaprint, United Biscuits, Amber Day, Benlox, Charterhall, Edmonds Holdings, Wm. Morris Fine Arts, British Aerospace, Blacks Leisure, Spong, Aberfoyle, Lancs, Common Brothers, Rexmore, Property Trust, Central Securities, Amstrad, Morgan Grenfell, Benjamin Priest, Norfolk Capital, GKN, Tozer Kemsley, Atlantic Resources, Trimco** and **Tusker**.

FINANCIAL TIMES STOCK INDICES

	July 21	July 20	July 17	July 16	July 15	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.36	90.78	91.20	91.12	90.95	88.74	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.52	98.53	98.78	98.51	98.29	95.55	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1872.0	1889.6	1916.9	1926.2	1908.6	1274.7	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	437.1	424.8	429.7	423.0	414.6	189.7	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.07	3.04	3.01	2.99	3.02	4.31				
Earnings Yld.%(full)	7.45	7.40	7.29	7.25	7.32	10.41				
P/E Ratio (net) (*)	16.49	16.61	16.85	16.96	16.78	11.68				
SEAQ Bargains (5 pm)	49,371	57,964	57,774	61,215	61,528	—				
Equity Turnover (£m)	—	1562.29	1849.20	2272.69	2458.30	404.78				
Equity Bargains	—	73,592	70,743	73,910	72,719	19,952				
Shares Traded (ml)	—	828.2	903.1	866.4	965.5	213.6				

S.E. ACTIVITY

Indices	July 20	July 17
Gilt Edged Bargains	151.1	145.6
Equity Bargains	476.8	458.4
Equity Value	3157.8	3737.7
5-Day Average		
Gilt Edged Bargains	157.8	147.4
Equity Bargains	466.6	471.8
Equity Value	3932.0	4027.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1869.9	1863.4	1861.7	1866.2	1867.0	1865.9	1867.5	1875.3

Day's High 1876.8 Day's Low 1859.1. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.18.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (134)

COMMONWEALTH & AFRICAN LOANS (1), AMERICANS (9), CANADIANS (1), BANKS (4), BREWERS (3), BUILDINGS (4), CHEMICALS (5), STORES (7), ELECTRICALS (14), ENGINEERING (5), FOODS (5), INDUSTRIALS (34), INSURANCE (3), LEISURE (3), PAPERS (4), PROPERTY (3), SHIPPING (1), SOUTH AFRICANS (1), TEXTILES (3), TRUSTS (8), OILS (3), PLANTATIONS (2), MINES (11).

NEW LOWS (7)

LOANS (1), N'wide 8½pc 20.6.88, ELECTRICALS (1), Microlease, TRUSTS (2), Paribas French Inv Tst, Biotechnology Invs, OVERSEAS TRADERS (1), GN Great Nordic, THIRD MARKET (2), Amercoeur Energy, Chelsea Artisans.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,400	208	—
Allied Lyons	2,700	460	+3½
Amstrad	1,600	186	−3
Argyll Group	1,300	450	−5
Assoc. Brit. Foods	883	397	−9
BAT	4,200	664	+2
BET	548	302	−1
BOC	691	532	−7
BPB Inds	828	839	−17
BPCC	739	324	—
BTR	4,600	342	−7
Barclays	853	638	−6
Bass	361	£10⅛	—
Beecham	1,400	576	−5
Blue Circle	1,000	518	−17
Boots	7,700	309	+5
Brit. Aero	3,800	540	+5
Brit. & Comm.	446	554	−4
British Gas	14,000	187½	−1½
Britoil	4,600	326	+1
BP	21,000	395	−7
Brit. Telecom	8,900	291½	+3½
Bunzl	1,000	254	—
Burton	1,100	337	+2
Cable & Wire	3,600	402	−5
Cadbury Schwps	2,700	274	−7
Coats Viyella	772	355	+6
Comm. Union	2,100	386	−1
Cons. Gold	1,200	£12½	+½
Cookson	242	775	+4
Courtaulds	865	505	−1
Dee Corpn	1,700	250	—
Dixons Group	2,900	373	−5
English China Clays	288	527	+2
Fisons	1,800	375	—
Gen. Accident	223	£11¼	—
Gen. Elect	15,800	249½	−1½
Glaxo	1,400	£17⅞	−⅜
Globe Investment	83	193	−1
Granada	1,100	359	−2
Grand Met	2,800	587	+8
GUS "A"	184	£14⅜	−⅜
Guardian R.E.	20	£11¼	−⅛
GKN	1,500	380	−8
Guinness	2,900	367	−1
Hammerson	282	610	−15
Hanson Trust	14,000	187½	−½
Hawker Sidd.	1,800	584	−1
Hillsdown Hldgs	2,000	307	−5
ICI	819	£15¼	—

Stock	Volume 000's	Closing price	Day's change
Jaguar	2,300	595	+8
Ladbroke	789	446	+3
Land Securities	1,900	565	+2
Legal & Gen.	1,000	339	−1
Lloyds Bank	1,700	408	−7
Lonrho	691	299	−3
MEPC	733	554	−9
Marks & Spencer	3,600	261	−4
Midland Bank	1,500	630	−13
NatWest Bank	1,200	773	−7
Next	1,300	344	−1
Pearson	520	754	−5
P & O	468	765	−4
Pilkington Bros	1,400	£10⅛	−⅛
Plessey	2,100	215	−4
Prudential	255	£10½	−⅛
Racal	1,900	280	−4
RHM	811	337	−5
Reckitt & Col	109	£11¾	—
Redland	892	542	−16
Reed Intl.	881	545	−4
Reuters	406	888	−7
RMC	388	544	−15
RTZ	495	£12½	+⅛
Rolls-Royce	8,900	120	−3
Rowntree	726	563	−10
Ryl Bank Scotland	1,100	433	+3
Royal Insurance	1,900	567	−20
STC	4,300	30	−5
Saatchi & Saatchi	390	665	−11
Sainsbury	2,200	287	+5
Scott & Newcastle	2,700	253½	−½
Sears	6,700	174½	−½
Sedgwick	3,600	329	+7
Shell Trans	3,400	£14⅞	+⅛
Smith & Nephew	1,700	185½	−2½
Standard Chart	1,100	813	+3
Storehouse	8,400	316	+12
Sun Alliance	229	£10⅝	+⅛
TSB	5,200	95¼	−1
Tarmac	4,800	308	−2
Tesco	1,800	203	+6
Thorn EMI	546	775	−6
Trafalgar House	889	425	−3
T'house Forte	4,300	264	−5
Unigate	809	416	−8
Unilever	1,100	690	−7
United Biscuits	3,900	339	−9
Wellcome	3,000	477	−4
Whitbread "A"	1,400	358	−2
Woolworth	891	413	+4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	110	2
Corporations, Dominion and Foreign Bonds	4	24	31
Industrials	245	893	426
Financial and Properties	66	316	217
Oils	16	43	55
Plantations	2	4	8
Mines	76	31	83
Others	48	121	97
Totals	458	1,542	919

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday July 21 1987

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon July 20 Index No.	Fri July 17 Index No.	Thurs July 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1015.34	−1.1	6.75	2.68	18.53	11.21	1027.14	1037.12	1038.07	698.01
2	Building Materials (30)	1311.78	−1.8	6.78	2.61	18.37	15.55	1336.15	1363.61	1381.08	793.68
3	Contracting, Construction (33)	1890.50	−1.7	6.34	2.54	21.17	19.38	1922.22	1941.30	1951.50	1223.36
4	Electricals (12)	2705.69	−1.0	5.56	2.86	23.19	36.50	2733.45	2730.81	2706.42	1818.48
5	Electronics (35)	2208.20	−1.0	6.86	2.22	18.65	15.26	2231.37	2236.70	2205.81	1570.36
6	Mechanical Engineering (60)	534.60	−0.7	7.55	3.17	16.63	7.80	538.42	541.74	541.14	389.76
8	Metals and Metal Forming (7)	586.63	+1.1	6.68	2.68	18.04	6.86	580.38	585.70	588.17	331.73
9	Motors (14)	395.08	−1.2	7.73	2.69	15.03	3.42	399.70	406.20	406.20	289.97
10	Other Industrial Materials (21)	1663.94	−1.1	5.80	2.91	20.77	22.53	1682.60	1699.54	1712.49	1245.93
21	CONSUMER GROUP (184)	1375.06	−0.5	5.76	2.46	22.28	14.33	1381.41	1401.23	1406.32	890.99
22	Brewers and Distillers (22)	1245.24	+0.4	7.53	2.86	16.70	11.77	1240.85	1265.93	1269.35	892.66
25	Food Manufacturing (24)	1059.76	−1.5	6.63	2.89	19.59	15.12	1075.84	1089.31	1092.25	658.07
26	Food Retailing (16)	2608.29	+0.7	5.00	2.23	27.27	21.16	2589.08	2612.79	2649.96	1774.62
27	Health and Household Goods (10)	2627.01	−0.8	3.85	1.52	30.38	15.11	2648.58	2691.83	2699.85	1510.50
29	Leisure (31)	1439.16	−1.1	5.74	3.02	22.58	20.36	1454.66	1475.66	1480.59	873.09
31	Packaging & Paper (15)	718.34	−1.2	5.69	2.40	23.26	7.88	726.79	736.97	739.48	470.49
32	Publishing & Printing (14)	4494.69	−1.0	4.74	3.09	27.17	59.63	4540.69	4564.69	4564.47	2476.29
34	Stores (36)	1138.17	−0.3	6.25	2.51	21.73	12.81	1141.54	1159.33	1157.89	849.57
35	Textiles (16)	845.15	+0.7	7.36	2.65	15.78	11.71	839.47	851.74	864.21	533.02
40	OTHER GROUPS (87)	1168.21	−0.1	7.40	2.99	16.87	11.06	1169.45	1183.16	1192.30	746.78
41	Agencies (16)	1764.35	−1.0	3.75	1.35	35.15	9.76	1782.48	1795.57	1785.00	0.0
42	Chemicals (22)	1446.26	−0.5	6.80	3.04	18.02	19.79	1453.40	1461.02	1471.02	916.32
43	Conglomerates (12)	1510.12	−0.4	7.04	3.05	16.30	18.93	1515.83	1530.12	1546.12	0.0
45	Shipping and Transport (11)	2463.05	−0.4	6.35	3.26	20.78	37.76	2473.95	2487.95	2497.85	1459.78
47	Telephone Networks (2)	1130.01	+0.7	8.93	3.58	14.93	2.95	1121.68	1142.66	1164.15	765.10
48	Miscellaneous (24)	1687.18	−0.1	6.33	2.63	14.39	18.61	1688.31	1715.19	1711.29	1201.05
49	INDUSTRIAL GROUP (483)	1241.45	−0.5	6.46	2.66	19.57	12.80	1248.27	1263.79	1268.86	814.21
51	Oil & Gas (17)	2390.46	−0.4	4.58	3.87	28.28	37.29	2398.95	2451.05	2458.68	1201.03
59	500 SHARE INDEX (500)	1339.00	−0.5	6.17	2.84	20.53	14.94	1345.96	1364.59	1369.88	848.20
61	FINANCIAL GROUP(119)	869.43	−1.0	—	3.39	—	13.48	878.07	881.85	882.11	598.08
62	Banks (8)	885.79	−0.9	15.63	4.23	8.46	16.24	893.67	896.02	898.38	639.10
65	Insurance (Life) (9)	1157.12	−0.9	—	3.64	—	20.71	1167.28	1181.01	1190.53	845.02
66	Insurance (Composite) (7)	659.26	−0.9	—	3.71	—	11.76	664.97	652.05	647.13	486.77
67	Insurance (Brokers) (9)	1375.91	−0.6	7.82	3.93	16.48	26.32	1383.80	1399.56	1365.34	1172.53
68	Merchant Banks (11)	499.04	−1.3	—	2.71	—	6.88	505.57	504.96	489.75	333.31
69	Property (47)	1316.20	−1.3	3.60	2.24	35.88	12.06	1332.92	1358.44	1374.86	782.16
70	Other Financial (28)	594.49	−1.0	5.60	2.72	22.48	7.17	600.67	603.19	603.48	339.89
71	Investment Trusts (92)	1132.76	−0.3	—	2.12	—	11.12	1136.52	1147.90	1149.12	745.41
81	Mining Finance (2)	619.95	+1.0	5.45	2.68	21.10	6.79	613.75	615.00	622.46	248.94
91	Overseas Traders (10)	1174.64	−0.9	7.69	4.00	15.43	23.27	1184.76	1197.23	1197.17	655.49
99	ALL-SHARE INDEX(722)	1212.95	−0.6	—	2.91	—	14.37	1219.82	1234.49	1238.57	774.43

	Index No.	Day's Change	Day's High	Day's Low	July 20	July 17	July 16	July 15	July 14	Year ago
FT-SE 100 SHARE INDEX ‡	2390.5	−10.2	2392.1	2366.7	2400.7	2428.7	2443.4	2419.2	2403.0	1559.2

FIXED INTEREST

	PRICE INDICES	Tues July 21	Day's change %	Mon July 20	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.98	−0.12	123.13	—	6.83
2	5-15 years	141.98	−0.31	142.42	—	8.09
3	Over 15 years	152.02	−0.39	153.01	0.40	7.25
4	Irredeemables	166.77	−0.52	167.64	—	7.27
5	All stocks	138.46	−0.27	138.91	0.07	7.57
	Index-Linked					
6	5 years	122.75	−0.33	123.15	—	1.57
7	Over 5 years	116.34	−0.31	116.70	—	2.08
8	All stocks	116.70	−0.31	117.06	—	2.03
9	Debentures & Loans	123.19	−0.64	123.98	—	6.17
10	Preference	88.83	—	88.83	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Tues July 21	Mon July 20	Year ago (approx.)
	British Government				
1	Low	5 years	8.05	8.01	8.27
2	Coupons	15 years	9.03	8.98	9.28
3		25 years	9.04	9.00	9.30
4	Medium	5 years	9.17	9.09	9.64
5	Coupons	15 years	9.26	9.21	9.62
6		25 years	9.26	9.21	9.62
7	High	5 years	9.31	9.24	9.80
8	Coupons	15 years	9.40	9.34	9.79
9		25 years	9.19	9.14	9.61
10	Irredeemables †		8.92	8.86	9.24
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.44	2.33	3.99
12	Inflat'n rate 5%	Over 5 yrs	3.75	3.73	3.57
13	Inflat'n rate 10%	5 yrs	2.19	2.08	2.70
14	Inflat'n rate 10%	Over 5 yrs	3.71	3.68	3.40
15	Debs &	5 years	10.16	10.07	10.07
16	Loans	15 years	10.16	10.07	10.42
17		25 years	10.16	10.07	10.50
18	Preference †		10.22	10.22	10.79

‡Opening index 2378.6; 10 am 2371.7; 11 am 2369.8; Noon 2376.0; 1 pm 2378.5; 2 pm 2377.6; 3 pm 2380.5; 3.30 pm 2391.1; 4 pm 2390.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Associated Book Publishers (32) has been deleted. Ryan International (48) and St Modwen Properties (69) have both been inserted.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*462)	390	73	85	95	0¼	2	6
	420	43	60	73	1	9	13
	460	5	32	47	4	22	27
Brit. Airways (*165)	140	26	31	42	0½	3	8
	160	6	19	28	2	11	16
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*369)	330	45	55	67	3	10	15
	360	22	38	48	8	20	25
	390	7	25	35	25	35	40
Ladbroke (*447)	403	50	62	—	1½	9	—
[illegible]							

July 21. Total Contracts 59,516. Calls 42,476. Puts 17,040. FT-SE Index Calls 1,758 Puts 2,379 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices July 21

MONTREAL

Closing prices July 21

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

Indices

NYSE-Consolidated 1500 Actives

LONDON – Most Active Stocks
Tuesday, July 21, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
BP	21.8m	385	– 7	Storehouse	8.4m	318	+12
Gen Elect	15.8m	249½	– 1½	Boots	7.7m	389	+ 5
Brit Gas	14.8m	187½	– 1½	Sears	6.7m	174½	– ½
Hanson Tr.	14.0m	187½	– ½	ASDA-MFI	5.4m	208	unch
Brit Telecom	8.9m	291½	+ 3½	Tarmac	4.8m	388	– 2

TOKYO – Most Active Stocks
Tuesday, July 21, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	18.28m	303	+ 3	Snow Brand Milk	5.98m	1,608	+160
Matsushita Elec Ind.	16.05m	2,388	–20	Mitsubishi Chem Ind	5.82m	998	– 28
Kawasaki Steel	9.21m	228	– 2	Hitachi	5.69m	1,120	– 10
Toshiba	6.48m	605	– 1	Tokyo Gas	5.26m	981	– 16
Mitsubishi H. Ind	6.08m	545	– 2	Kayaba Ind.	5.05m	599	+ 9

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 43

LONDON (in pence unless otherwise indicated)

Chief price changes

RISES:

Amari	203	+ 9
Bab. Intl.	312	+26½
Cons. Gold Flds	£12½	+ ⅛
GRA	157	+17
Lndn & Mnchstr	359	+21
Molins	306	+18
Sutcl. Spkmn	150	+12
Ultramar	293	+15
Wood (Arthur)	238	+22

FALLS:

Tr. 13½pc 2004-08	£135²⁷⁄₃₂	– ¹³⁄₃₂
Abbey Life	306	–13
Bensons Crisps	113	–11
Bl. Circle	518	–17
BP	395	– 7
Magnet & Sthrns	378	–14
Midland Bank	630	–13
Royal Ins.	567	–20
Stew. Wrighton	643	–22
Willis Faber	435	–20

N. AMERICAN QUARTERLY RESULTS

DUKE POWER
Utility

Second quarter	1987 $	1986 $
Revenue	857.7m	784m
Net income	102.8m	89.8m
Net per share	0.88	0.73
Twelve months		
Revenue	3.55bn	3.09bn
Net income	487m	432.1m
Net per share	4.25	3.66

EATON
Vehicle parts, electronics

Second quarter	1987 $	1986 $
Revenue	1.08bn	1bn
Net income	65.1m	52.5m
Net per share	2.31	1.61
Six months		
Revenue	2.05bn	1.89bn
Net income	126.3m	102.6m
Net per share	4.33	3.13

GREAT WESTERN FINANCIAL
Savings and loans

Second quarter	1987 $	1986 $
Assets	28.4bn	26.5bn
Net income	80.5m	76.3m
Net per share	0.65	0.74
Six months		
Revenue	—	—
Net income	163.9m	148.7m
Net per share	1.39	1.45

INGERSOLL-RAND
Compression equipment

Second quarter	1987 $	1986 $
Revenue	664.3m	726m
Net income	22.2m	20.7m
Net per share	0.40	0.39
Six months		
Revenue	1.27bn	1.39bn
Net income	42m	39.2m
Net per share	0.75	0.74

JOHNSON CONTROLS
Industrial equipment

Third quarter	1987 $	1986 $
Revenue	653m	602.6m
Net income	17.5m	15.2m
Net per share	0.42	0.36
Nine months		
Revenue	1.86bn	1.94bn
Net income	52.4m	61.6m
Net per share	1.25	1.50

LAC MINERALS
Metals mining

Second quarter	1987 C$	1986 C$
Revenue	81.1m	62.5m
Net income	18.1m	2.5m
Net per share	0.63	0.09
Six months		
Revenue	148.8m	111.9m
Net income	23.9m	4.9m
Net per share	0.84	0.17

MIC COMMUNICATIONS
Telecommunications

Second quarter	1987 $	1986 $
Revenue	962m	943m
Op. net income	7m	18m
Net per share	0.02	0.06
Six months		
Revenue	1.91bn	1.78bn
Op. net income	27m	38m
Net per share	0.09	0.14

NOVA AN ALBERTA CORP
Energy

Second quarter	1987 C$	1986 C$
Revenue	528.3m	639.4m
Net income	45m	37m
Net per share	0.19	0.12
Six months		
Revenue	1.07bn	1.42bn
Net income	78.6m	63.3m
Net per share	0.28	0.16

PACCAR
Heavy-duty trucks

Second quarter	1987 $	1986 $
Revenue	605.4m	426.9m
Net income	26.2m	1.1m
Net per share	1.45	0.06
Six months		
Revenue	1.12bn	865.2m
Net income	47.4m	14.9m
Net per share	2.64	0.83

ROHM & HAAS
Chemicals

Second quarter	1987 $	1986 $
Revenue	597.3m	569m
Net income	62.1m	33.1m
Net per share	0.90	0.48
Six months		
Revenue	1.13bn	1.11bn
Net income	119.5m	71.4m
Net per share	1.73	1.04

TEMPLE-INLAND
Forest products

Second quarter	1987 $	1986 $
Revenue	395.1m	313.5m
Net income	35.8m	19.3m
Net per share	1.17	0.63

TEXAS EASTERN
Pipelines, energy

Second quarter	1987 $	1986 $
Revenue	789.5m	674.4m
Net income	10.4m	†84.3m
Net per share	0.20	†1.58
Six months		
Revenue	1.97bn	2.22bn
Net income	62.9m	†142.7m
Net per share	1.18	†0.80

† Includes $63.2m loss from discontinued operations.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20 1/8	AAR s	.50	1.5	22	18	33 3/8	32 7/8	33	- 1/4
37	22	ADT	.92	2.7	19	256	33 7/8	33 1/4	33 3/4	+ 1/8
30	16 3/4	AFG s	.16	.6	10	715	29 1/2	28 3/4	29	- 3/4
22 3/8	8 5/8	AGS s			17	1318	17 3/8	16 5/8	16 3/4	- 5/8
11 1/2	6 3/4	AMCA				37	9 7/8	9 3/4	9 3/4	- 1/8
9 5/8	4 7/8	AM Intl				766	7 1/8	6 7/8	7	- 1/8
62 7/8	47 1/2	AMR			15	4402	61 1/4	59 1/4	59 1/4	- 1 1/2
25	22 1/4	ANR pf	2.12	9.2		44	23	23	23	
11 3/4	6	ARX s			12	94	10 3/4	10 1/2	10 5/8	
73 1/2	30 3/8	ASA	2a	3.2		304	62 7/8	62 1/8	62 3/4	+ 3/4
20	9 3/4	AVX		1.9	86	135	17 3/8	17	17 1/4	
67	41	AbtLab	1	1.6	25	3640	63 1/4	61 3/4	62	- 1/2
26	24 5/8	Abitibi g				601	24 7/8	24 5/8	24 3/4	+ 1/8
28 3/4	16 5/8	AccoWs	.44	1.5	26	750	28 3/4	28 5/8	28 3/4	+ 1/8
15 1/8	9	AcmeC	.40	2.8	10	64	14 1/2	14 1/4	14 3/8	- 1/8
8 5/8	6 1/8	AcmeE	.32b	4.0	31	28	8	7 7/8	8	
23 7/8	19	AdaEx	3.42e	15.		60	22 1/2	22 1/8	22 1/4	- 3/8
18 1/2	11 3/8	AdmMl s	.24	1.7	11	140	14 3/4	14 3/8	14 3/8	- 1/4
25 1/8	12 1/8	AdvSys	.62t	2.6	17	212	24 1/2	24	24	- 5/8
24 1/2	12 7/8	AMD				6420	17 3/4	17 1/8	17 1/4	- 3/8
54 3/4	47	AMD pf	3	6.3		317	48 3/8	47 1/2	47 7/8	- 1/2
10 3/4	5 1/4	Adobe				560	10 1/2	10	10 3/8	+ 1/4
20 1/2	13 3/4	Adob pf	1.84	9.6		29	19 3/8	19 1/8	19 1/4	+ 1/4
21 7/8	18 3/8	Adob pf	2.40	11.		1	21 1/8	21 1/8	21 1/8	- 1/8
15 5/8	10 3/8	Advest	.12a	1.0	9	203	12 1/4	12 1/8	12 1/8	
68 1/4	53	AetnLf	2.76	4.7	9	1789	59 5/8	58	59	- 1/4
53 5/8	51 1/8	AetL pf	3.75e	7.3		24	51 5/8	51 5/8	51 5/8	+ 1/8
99	87 1/4	AetL pf	C4.70e	4.9		10	96 1/4	96 1/4	96 1/4	- 3/8
68 3/4	26 1/2	AfilPb s	.32	.5	35	813	67 1/2	65	66 3/4	- 7/8
28 3/8	18 5/8	Ahmans	.88	4.4	6	12254	20 1/2	19 3/4	20	- 1/2
5 3/8	2 7/8	Aileen				44	3 7/8	3 7/8	3 7/8	+ 1/8

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57¾	37	Whwth s1.32		2.3	16	1704	55⅞	56	56½	+1½
7¼	2	WrldCp				131	7⅛	6⅞	7	
19¾	14⅝	WrldVl n				42	19	18⅝	18⅞	+⅛
54⅝	41¼	Wrigly s1.04		2.0	19	422	53	52⅝	52¾	−⅜
3⅞	1⅜	Wurltzr				45	2⅝	2½	2⅝	+⅛
18⅞	11⅛	WylaLb .32		2.0	33	607	16¼	16⅜	16⅜	−⅜
24¾	16	Wynns .60		3.1	14	16	19⅛	19	19⅛	+¼
		X Y Z								
81¼	48⅝	Xerox 3		4.1	18	1162	176⅛	73¼	73½	−2½
58¼	54¼	Xerox pf5.45		9.8		34	55⅝	55¼	55⅝	
28⅞	21½	XTRA .64		2.3		65	28⅝	28	28	+¼
27⅞	15	Yorkln			13	358	26¾	26½	26⅝	−⅜
7¼	2¼	Zapata				1636	6⅞	6¼	6½	−¼
35¾	20¾	Zayre .40		1.3	19	7422	30⅝	29⅝	30⅝	+1
14¼	9¾	Zemex .40		3.1	8	6	12⅞	12⅞	12⅞	−⅛
29¾	16⅞	ZenithE				1644	27¼	26⅝	26¾	−⅛
13½	8	ZenLab				937	9⅝	9⅜	9½	−⅛
18½	12⅜	Zero .36		2.1	17	201	16⅞	16⅝	16¾	−⅛
28½	16⅝	Zumin s			19	387	27⅜	27	27¼	
10⅝	8¾	Zweig n.65e		6.4		1934	10⅛	9⅞	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates-of-dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Inflation rate worries spark downturn

WALL STREET

UPSET by rumours of a big jump in the inflation rate, Wall Street stock prices fell sharply yesterday in moderately heavy trading, *writes Roderick Oram in New York.*

Stocks followed bonds lower on fears that June's consumer price index, due to be released this morning, will be up far more from May than the 0.4 per cent previously forecast. Bond prices fell more than a point in late afternoon.

Congressional testimony by Mr Paul Volcker, retiring chairman of the Federal Reserve, and Mr Alan Greenspan, his nominated successor, appeared to have little impact on the markets. Mr Greenspan said the Fed's current policies were "essentially on target."

The Dow Jones industrial average closed down 19.77 points at 2,467.95.

The main part of the fall came late in the session with the index losing up to 36 points, driven in part by sell programmes linked to falling stock index futures.

Broader market indices followed the Dow's lead. The Standard & Poor's 500 closed down 2.84 at 308.55 and the New York Stock Exchange composite index lost 1.49 to 173.59. NYSE volume was 186.4m with the number of declining shares outpacing those rising by a margin of more than two-to-one for the second day running.

Despite the generally lower tone, good second-quarter results continued to add buoyancy to some stock prices with a number of companies exceeding analysts' expectations. Chrysler's profits, for example, dipped only to $2 a share from $2.19 which helped push its shares up $¾ to $38½. Capital cities-ABC turned in quarterly net profits of $5.88 a share at the top end of forecasts against $4.15. Its shares gained $11¼ to $408½.

Texas Air rose $⅛ to $33¼ and was the second most active American Stock Exchange issue with nearly 1m shares traded. The largest airline holding company in the US reported a loss of $27m for the quarter, reflecting continuing problems consolidating airlines it has acquired.

More banks hit by heavy additions to loan loss reserves reported large losses as forecast. Citicorp rose $¾ to $59¾ and Wells Fargo added $⅝ to $53¾ while Bankers Trust fell $1⅛ to $47¼.

American Express gained $1½ to $33⅝ after banking losses were almost offset by good profits from its traditional travel related services and sale of a stake in Shearson Lehman Brothers, the Wall Street investment dealer.

Henley Group rose $1½ to $29¼. It is seeking permission to increase its stake in Santa Fe Southern to 25 per cent from 5 per cent. It also announced a buy-back of 25m of its own shares at $28 each. Santa Fe, which also reported higher profits, was up $2⅜ to $53¼.

Elsewhere in the takeover arena, Corning Glass Works jumped $3⅛ to $66 on rumours General Electric, up $½ to $55¾, was considering a bid.

Among other companies reporting higher earnings, Kraft fell $1⅛ to $59⅝, Monsanto lost $⅛ to $88¾, McDonald's added $⅜ to $52¼, Waste Management rose $⅛ to $43¾, Marsh and McLennan fell $⅝ to $61½ and Scott Paper slipped $⅛ to $35.

Armco, the steelmaker, fell $⅜ to $13 despite returning to a profit of $37m in the quarter from a year earlier loss of $385m.

Amdahl dropped $¾ to $38 after reporting a surge in profits to $60m from $6m a year earlier. Other computer makers were also weaker. IBM fell $1⅞ to $162¾, Digital Equipment was down $½ to $165, Unisys lost $⅜ to $128, Cray Research was down $1 to $98¼ and Hewlett-Packard fell $1¼ to $60½.

Several drug companies turned in better profits but suffered price falls. Squibb lost $½ to $88½

CANADA

VICTORIES by the New Democratic Party in three federal by-elections helped depress Toronto share prices in active trade.

Among the losers, Cominco gave up C$⅜ to C$19¾. Its contract talks are deadlocked with striking miners at British Colombia mines.

Most active Nova Alberta class A also fell back by C$⅛ to C$10¼ after rising on good earnings figures. Northern Telecom added C$⅛ to C$22¾. It said its first-half profits had risen and predicted better figures for the second half.

Montreal and Vancouver both fell.

SOUTH AFRICA

STRONG selective buying pushed Johannesburg share prices to further record levels as golds advanced on the stronger bullion price.

The all gold index rose 59 to a new peak of 2,349, surpassing its previous record of 2,316 set on April 27. The industrial index, up 25 to 2,105, and the composite indicator, up 52 to 2,586, both broke Monday's records.

Vaal Reefs added R4 to R487 and Randfontein R16 to R453 among leading golds. Diamond De Beers also firmed 90 cents to a year's high of R47.15 despite the breakdown of wage talks with workers at four mines.

Rustenburg Platinum rose R1 to R61 to set its second all-time high in consecutive days.

Mining houses joined the surge.

Judy Dempsey on a dramatic month for Austrian share values

Foreigners give Vienna a whirl

THE VIENNA Stock Exchange's 10 biggest quoted companies have seen their share prices rise by between 20 and 40 per cent in the last month in a surge of foreign buying.

The once sleepy Austrian stock exchange awoke in 1985 to outpace every other exchange in the world with a 126 per cent rise in its official index.

After a dull 1986, however, the market had fallen back 18 per cent during the first half of this year. Mr Gerhard Wagner, the bourse's president, said the recent recovery has been caused by a sudden resurgence of interest from foreign investors over the past few days.

Overseas demand has pushed up share prices by 17 per cent in July and by 8 per cent in the last two days alone. Yesterday the market index closed at 250.50, a rise of 9.14 points, following a further 9.14 rise the previous session.

Turnover in 35 selected shares on Friday hit a record Sch 212.6m ($16m), more than 11 times the average volume for July 6 to 10. Total dealings between January and June this year reached Sch 6.7bn, a 41 per cent fall on the same period of 1986.

Of the 500 or so Austrian-based companies, 80 now trade on the Vienna bourse.

However, capital increases over the last six months – excluding new issues – are markedly down on the same period last year, standing at Sch 648bn compared with Sch 2,786bn. The total of capital increases made on the bourse in 1986 was Sch 2,986bn. "We hope we can reach this figure but we don't think it will be as high as last year," one bourse official said.

There have been some new issues this year, including that of domestic group Tiroler Loden which had a market value of Sch 151bn. The bourse also welcomed numerous foreign shares, including Olivetti, Chrysler and VW, each of which issued preference shares.

As the Viennese summer sets in, the bourse's officials are treating the prospects for autumn trading with cautious optimism. During this period the Austrian Government will be pressing ahead with its limited privatisation programme for loss-making state industries.

EUROPE

Profit-taking stalls gains in Frankfurt and Zurich

*THE SLIGHT downturn in the dol*lar and Wall Street's overnight losses took their toll yesterday on European bourses, which mostly closed lower on profit-taking. Trading was generally moderate to slow.

Frankfurt fell back from its gains of the previous two sessions in fairly quiet trading with many institutional investors staying away. Profit-taking hit financials and cars, but opinions were divided about whether the setback was temporary. The Commerzbank index lost 11.2 to 1,958.7.

Deutsche Bank lost DM 8.50 to DM 644.50, Dresdner eased DM 5 to DM 342 and BHF fell DM 11.50 to DM 468 while insurer Allianz was DM 18 lower at DM 1,972.

Cars were easier, amid news from the Federal Motor Office that new car registrations edged up in the first six months. Daimler Benz was down DM 14 at DM 1,160, and BMW lost DM 10.50 to DM 698.50. Porsche, which said it expected lower US sales this year, eased DM 9 to DM 991.

Against the trend, however, electrical AEG gained DM 7.20 to DM 327.20 as rumours persisted about Daimler possibly increasing its 56 per cent stake. In the metals sector, Metallgesellschaft added DM 8 to DM 385, and Preussag edged up 10 pfg to DM 198.10.

Bonds finished mixed amid position-squaring and uncertainty over the direction of domestic interest rates. The Bundesbank sold DM 14.4m worth of paper after buying DM 184.1m on Monday.

Zurich also underwent profit-taking as the softer dollar and a weak overnight New York undermined sentiment.

Financials, leading the recent advance, took the brunt. Among banks, UBS lost SFr 15 to SFr 4,985 amid news from the company that it expected a satisfactory second half after "favourable" first-half profits.

Crédit Suisse fell SFr 35 to SFr 3,340 and Swiss Bank SFr 14 to SFr 490. But Swiss Volksbank added SFr 10 to SFr 2,310 following a "satisfactory" first half.

Insurers were mixed, with Swiss Ré down SFr 300 to SFr 17,800 but Winterthur up SFr 50 at SFr 6,850.

Amsterdam began lower on Wall Street's overnight weakness but picked up as the dollar stayed steady against the guilder and New York stocks opened more firmly. The market was also boosted by optimism that first-half results for the major companies, starting next week, will prove healthy.

Internationals were mixed, with Philips off 50 cents at Fl 55.20 and Royal Dutch Fl 1.30 higher at Fl 290.30.

Paris continued easier in moderate trading as short-term interest rates rose and the end of the trading month approached. The CAC general index was down 3.1 at 407.5.

Electronics shares headed the downward trend, with Crouzet losing FFr 18 to FFr 226, Radiotechnique off FFr 17 at FFr 1,503 and Thomson-CSF down FFr 26 at FFr 1,295.

In constructions, Bouygues lost FFr 23 to FFr 1,092 and Lafarge-Coppée shed FFr 17 to FFr 1,610.

Milan saw a heavy bout of profit-taking following its recent bull run and ended slightly lower. Among blue chips, Pirelli SpA fell L45 to L4,905 and Olivetti L49 to L12,750, but Montedison edged up L1 to L2,530.

Cement maker Italcementi gained L170 to L108,170 while retailer Rinascente eased L10 to L1,290 after reporting higher first-half sales.

Oslo went on rising to reach its seventh consecutive record high on strong industrial and shipping stocks. Profit-taking was noticed in other sectors, but turnover remained heavy. The all-share index added 0.34 to 353.89.

Stockholm continued its downward correction in quiet trading while Madrid also encountered profit-taking after its record-breaking run.

Lisbon met extremely heavy demand on the first day of trading after the general election results. Many share prices were forced up so sharply that the 5 per cent limit gain was reached and trading had to be halted, so volume for the session was low.

Brussels was closed for a national holiday.

LONDON

UNSETTLED by interest-rate worries and the prospect of BP's £1.5bn share offering, equities closed lower despite a late rally.

The FT-SE 100 fell 10.2 to 2,390.5 after having fallen 34 at mid-session. The FT Ordinary index lost 17.6 to 1,872.0.

Government bonds steadied from early half-point falls – also on interest-rate worries – as traders closed short positions.

Details, Page 40

ASIA

Fears over money rates, oil and yen prompt fall

TOKYO

SMALL-LOT selling persisted in Tokyo yesterday to drive share prices sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 224 select issues, which suffered its third-biggest daily loss of 654.81 points on Monday, slipped below 23,000 at one point before ending 250.26 points lower at 23,078.36. Volume was 440.33m shares compared with Monday's 388.41m. Losers far outnumbered gains by 734 to 194, with 101 issues unchanged.

Investors became increasingly concerned about the rising trend in both interest rates and crude oil prices along with the weaker yen, and Wall Street's overnight fall sent many to the sidelines.

High-technology stocks, notably electricals which performed strongly the previous day, eased on reports that blue chips were heavily sold in New York on Monday.

Matsushita Electric Industrial gained Y20 at one point but came under selling pressure later to finish Y20 lower at Y2,380. The issue was the second-busiest with 16.05m shares changing hands. Sony shed Y20 to Y4,200, NEC Y50 to Y1,900 and Hitachi Y10 to Y1,120.

TDK, a lagging stock in the sector however, leapt Y230 to Y4,680, and Sanken Electric ended Y54 higher to Y1,040.

Large-capitalisation stocks were unpopular. Kawasaki Steel and Mitsubishi Heavy Industries each fell Y2 to Y228 and Y545, respectively. Nippon Steel topped the actives with 18.20m shares traded and ended Y3 higher at Y303 after briefly losing Y7.

Tokyo Electric Power extended its losing streak, closing Y140 lower at Y5,710. NTT declined Y70,000 to Y2.25m at one point but recouped some of its early loss later to end Y20,000 lower at Y2.3m

Snow Brand Milk soared Y160 to Y1,600 in lacklustre trading on reports of its full entry into the biotechnology business.

After the close, the Tokyo Stock Exchange announced the relaxation of margin trading restrictions, raising the assessment rate of securities acceptable as collateral for margin trading from 50 per cent to 70 per cent as from Wednesday.

Bond prices moved erratically. The yield on the benchmark 5.1 per cent government bond, maturing in June 1996, opened at 4.750 per cent, up from Monday's 4.655 per cent, on reports that selling by major Japanese brokers pushed down Japanese government bonds sharply overnight on the London International Financial Futures Exchange.

In mid-morning, however, the yield fell to 4.560 per cent amid growing expectations that the Finance Ministry's Debt Consolidation Fund could purchase long-term government bonds for the third consecutive day to prop up the faltering bond market.

The Debt Consolidation Fund did not, however, carry out the buying operation. This triggered selling pressure again, sending up the yield to 4.780 per cent. Later, some major dealers stepped up buying, and the yield on the benchmark issue ended at 4.655 per cent.

SINGAPORE

AFTER a weak start, Singapore picked up on bargain-hunting to finish mixed, with the Straits Times industrial index off 3.78 at 1,394.26.

There was some nervous selling at the start after trading in First Capital Corporation had been suspended at the company's request pending an announcement. The company recently successfully placed some 27m shares.

Most blue chips ended lower although Singapore Airlines added 10 cents to S$14, UOB picked up 15 cents to S$6.90 and OCBC was 10 cents higher at S$10.90.

Among active second-liners, Parkway Holdings was down 4 cents at S$4 on 7.2m shares traded, including a block deal of 7m at S$3.98.

AUSTRALIA

AFTER extending the market's record-breaking gains early in the session, losses on other overseas bourses prompted traders in Sydney to take profits and leave prices easier on the day.

Bell Resources continued active, easing 2 cents to A$3.16 in trade of 4.5m shares. BHP, also busy, was unchanged at A$10.50.

Golds and oils eased in defiance of stronger bullion and crude prices. Golds fell back after an early surge, and Elders Resources and Centaur both fell 5 cents to A$3.70 and A$2.95, respectively. Whim Creek was 50 cents off at A$12.50. Santos was off 10 cents at A$7.70 and Woodside Petroleum 5 cents at A$2.05.

Industrials followed the trend as Adeleide Steamship fell back 16 cents to A$8.54, BTR Nylex 20 cents to A$10.60 and IEL 30 cents to A$5.20.

CSR slipped 7 cents to A$3.86. It declared its takeover bid for building materials group Monier closed having acquired just 2.1 per cent of the group.

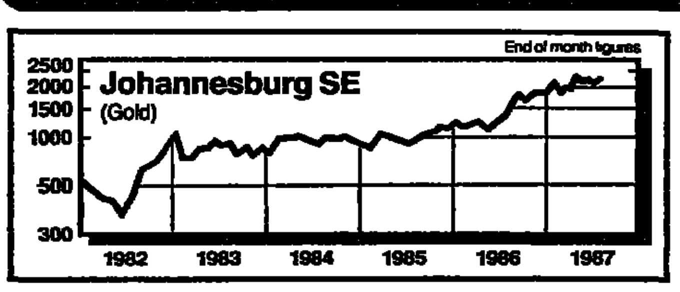
HONG KONG

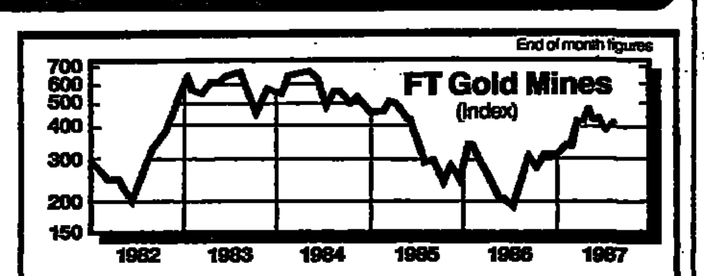
PROFIT-TAKING depressed Hong Kong share prices during a nervous session made the more jittery by rumours surrounding Mr Li Ka-Shing's group of companies. The Hang Seng index lost 32.31 to 3,353.78 after having risen 43.96 the previous session.

Market whispers suggested Cheung Kong and Hutchison Whampoa are both set to raise substantial funds through a share placement and rights issue, respectively, and that Cheung may be set to make a big UK acquisition. The shares were unchanged at HK$12.50 and HK$13.40.

Properties suffered worst in the sell-off after Monday's gains. Hang Lung fell 40 cents to HK$15.80.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 21	Prev	Year ago
NEW YORK			
DJ Industrials	2,467.95	2,487.72	1,779 11
DJ Transport	1,032 93	1,039.91	720.38
DJ Utilities	200.71	202 10	203.61
S&P Comp.	308.55	311.39	236.24
LONDON FT			
Ord	1,872.0	1,889.6	1,274.7
SE 100	2,390.5	2,400.7	1,560.2
A All-share	1,212.95	1,219.82	774.43
A 500	1,339.0	1,345.96	848.2
Gold mines	437.1	424.8	189.7
A Long gilt	9.19	9.14	9.65
World Act. Ind (July 20)	127.89	129.83	92.07
TOKYO			
Nikkei	23,078.36	23,328.64	17,522.2
Tokyo SE	1,915.64	1,939.21	1,385.63
AUSTRALIA			
All Ord.	1,973.3	1,977.7	1,135.4
Metals & Mins.	1,262.2	1,269.1	508.3
AUSTRIA			
Credit Aktien	223.22	214.8	234.75
BELGIAN SE	(c)	3,657.38	(c)
CANADA			
Toronto			
Met.& Mins.	3,160 7	3,218.8	1,969 0
Composite	3,953.6	3,976.0	2,988.1
Montreal			
Portfolio	1,987.38	2,007.75	1,485.17
DENMARK SE			
SE	(–)	203.61	207.05
FRANCE			
CAC Gen	407.50,	410.60	368.7
Ind. Tendance	103.40	104.50	86.65
WEST GERMANY			
FAZ-Aktien	646.55	650.02	589.12
Commerzbank	1,958.70	1,969.90	1,774.9
HONG KONG Hang Seng	3,353.78	3,386 09	1,777.73
ITALY Banca Comm.	698.49	700.46	684.85
NETHERLANDS ANP CBS			
Gen	319.50	320.60	286.4
Ind	269.60	271.00	287.6
NORWAY Oslo SE	(–)	457.25	349.40
SINGAPORE Straits Times	1,394.20	1,398.0	734.18
SOUTH AFRICA JSE			
Golds	2,230.0	2,279.0	1,325.4
Industrials	2,069.0	2,071.0	1,219.2
SPAIN Madrid SE	263.07	264.39	173.20
SWEDEN J & P	(–)	2,867.80	2,443.31
SWITZERLAND Swiss Bank Ind	646.80	650.60	520.7

COMMODITIES (London)

	July 21	Prev
Silver (spot fixing)	478.85p	489.15p
Copper (cash)	£1,024 5	£1,024.0
Coffee (July)	£1,226.0	£1,215.0
Oil (Brent Blend)	$20.350	$20 625

GOLD ($/oz)

	July 21	Prev
London	$462.25	$451.25
Zürich	$452.25	$450.95
Paris (fixing)	$450.76	$448.20
Luxembourg	$453.10	$449.60
New York (August)	$453.70	$452.30

CURRENCIES (London)

	US DOLLAR July 21	US DOLLAR Previous	STERLING July 21	STERLING Previous
$	–	–	1.5960	1.6020
DM	1.8655	1.8620	2.9775	2.9825
Yen	152.70	152.80	243.75	244.75
FFr	6.2025	6.1950	9.90	9.925
SFr	1.5480	1.5605	2.47	2.485
Fl	2.100	2.0970	3.3525	3.355
Lira	1,348	1.345	2,151	2.155
BFr	38.55	38.60	61.55	61.80
C$	1.3210	1.3185	2.1075	2.1125

INTEREST RATES

	July 21	Prev
Euro-currencies (3-month offered rate)		
£	9⅛	9[illegible]
SFr	3[illegible]	4
DM	4	4
FFr	8	7[illegible]
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	7
6-month US$	7[illegible]	7⅛
US Fed Funds	6[illegible]*	6⅝
US3-month CDs	6.50*	6.775
US3-month T-bills	5.595*	5.69

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 21				
(Sept)	91-22	91-25	91-05	91-23
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.16	94.21	94.14	94.23
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.83	92.85	92.81	92.88
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	122-28	123-04	122-16	123-09

US BONDS

Treasury

	July 21* Price	July 21* Yield	Prev Price	Prev Yield
7⅞ 1989	99[illegible]	7.389	100[illegible]	7.354
7 1994	98[illegible]	8.243	98[illegible]	8.206
8½ 1997	100[illegible]	8.43	100[illegible]	8.402
8¾ 2017	101[illegible]	8.648	100[illegible]	8.692

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	July 21 Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 21* Price	July 21* Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.48	6.35	93.36	6.4
SCBT South Central 10⅞ Jan 1993	102.5	10.28	102.5	10.28
Phibro Sal 8 April 1996	91.8	9.4	92.07	9.35
TRW 8⅞ March 1996	96.49	9.35	96.77	9.3
Arco 9⅞ March 2016	101.66	9.70	101.66	9.70
General Motors 8⅛ April 2016	84.82	9.70	84.82	9.70
Citicorp 9⅞ March 2016	91.94	10.25	91.94	10.25

Source: Salomon Brothers

* Latest available figures

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SECTION III

FINANCIAL TIMES SURVEY

The financial services industry in Canada is meeting the challenges of the revolution in international markets after facing some unexpected shocks to one of the world's most stable systems. So far the new breed of regulators and the institutions has coped with the turbulence successfully, says Bernard Simon.

Demise of the four pillars

ONLY A FOOL would have bet two years ago that Canada's banks would soon be buying seats on the Toronto stock exchange, that the clubby securities industry would throw open its doors to the biggest US and Japanese players, insurance companies would be allowed to make commercial and consumer loans—and, for good measure, that share prices would soar by more than 40 per cent on the TSE.

All these things have either happened or are about to happen as the Canadian financial services industry comes to terms with the revolution in international financial markets.

Financial centres in other parts of the world have faced similar challenges in recent years. In Canada, the turmoil has been compounded by other unexpected shocks to what has long been regarded as one of the world's most stable and well-ordered financial systems.

The financial community has lived through the disappearance of almost half the country's domestically-owned banks since autumn 1985, following a run on small bank deposits. It has had to face up to the implications for financial services of talks on a comprehensive free trade pact with the US, and adjust to sweeping reforms in the deposit insurance system.

Much of the burden has fallen on a new generation of financial regulators. Since the upheavals in the banking system and the debate on deregulation began in early 1985, new faces have appeared as Minister of State for Finance (whose portfolio includes regulation of financial institutions), Bank of Canada Governor, Inspector-General of Banks and chairman of the Ontario Securities Commission.

The turbulence has so far been weathered with remarkable equanimity. The small banks crisis, now ended, has not shaken confidence in the banking system as a whole.

Financial institutions have generally moved cautiously to take advantage of the securities industry's Little Bang (so named to distinguish it from the more spectacular event in London last year) which took place on June 30.

The most newsworthy event of that day was a sharp increase in the share prices of local securities dealers in the wake of the acquisition of a minority stake by First National Bank of Chicago in Wood Gundy, the Toronto-based brokerage firm.

On the other hand, the full impact of the reforms has yet to be felt. The changes of June 30 are just one part of a process which will take at least a year to complete.

Many uncertainties and risks still lie ahead. The recently-approved entry of foreign institutions and other outside investors will inject a new element of competition into the Canadian securities business. With financial markets apparently close to their peak, the struggle for new business is likely to intensify.

It is thus still too early to identify winners and losers from the Little Bang. While some financial institutions—local and foreign—will benefit handsomely from the new horizons now opening up, others are bound to make mistakes as they seek ways of taking advantage of the more liberalised environment.

If a predicted economic slowdown happens, strains throughout the financial services industry will increase further. The short-term financial performance of Canada's big six banks may be hit by a review, of provisions on their substantial loans to Latin American and other troubled sovereign borrowers.

In a nutshell, the Little Bang's reforms mark the end of the traditional "four pillars" of Canada's financial system. Each of the four—banks, trust companies (quasi-banking institutions whose business is based on home mortgages and fiduciary services), insurers and securities dealers—has in the past been either limited to or specifically barred from certain types of business.

The rules which came into force on June 30 allow banks, insurers, trust companies and other outside investors for the first time to take a substantial equity interest in securities dealers. Foreigners, previously barred from the securities business (with a handful of exceptions), can now own up to 50 per cent of a securities dealer. The ceiling will be abolished entirely on June 30 1988.

Foreign investors can also set up wholly-owned subsidiaries provided they confine their business to the so-called "exempt" (or institutional) market.

The demise of the four pillars is confirmed by changes in the regulation of federally-supervised financial groups. A new post of superintendent of financial institutions—held by former bank auditor Mr Michael Mackenzie—has been created to combine the jobs of inspector-general of banks and superintendent of insurance.

Securities firms continue to be the responsibility of provincial authorities, although there is a growing body of opinion in favour of a federal securities regulator. In what may turn out to be the first move in that direction, the provinces have agreed to allow Ottawa to oversee the in-house securities activities of banks, insurers and trusts.

Little Bang's next phase is expected to start later this summer when the federal government publishes draft legislation on the ownership and functions of federally-regulated institutions.

The proposals are expected to follow closely a policy paper published last December which suggested that common ownership be allowed for banks, trust companies, and insurers. A key proviso would dilute ownership according to the size of the institution.

According to the policy paper, large financial institutions will generally be barred from acquiring other large institutions. But they will be allowed to set up new subsidiaries in areas hitherto closed to them.

Trust companies and insurers will gain full consumer and commercial lending powers. Banks will be able to offer in-house portfolio management services, and to enter other fiduciary business through trust company subsidaries or affiliates.

All financial institutions will be allowed to offer each other's services through "networking" arrangements. The only exception will be retailing of insurance policies, which will continued to be reserved for insurance agents.

The one group which stands to lose more than it gains from deregulation is the powerful financial service conglomerates—such as Trilon Financial, Power Financial and Crown—which are controlled by non-financial companies.

These groups have stitched together extensive networks of trust companies, insurers and mutual fund groups. Royal Trust, part of the Trilon group, is a partner in the country's biggest real estate broker. Another conglomerate, the Quebec-based Laurentien group, controls a savings bank.

The constituent parts of these groups have gained a headstart on the traditional four pillars by pooling computer resources, exchanging customer lists and selling each other's products.

But their rapid growth and wide diversity of interests have also raised concern about concentration of power, and the potential for conflicts between controlling shareholders' financial interests and their commercial and industrial businesses. The Government is expected to propose various measures designed both to limit the conglomerates' growth and to make them more accountable to outsiders.

The response to Little Bang has so far been unexpectedly muted. In spite of the headstart given to them, Canadian investors have so far shied away from buying existing securities dealers.

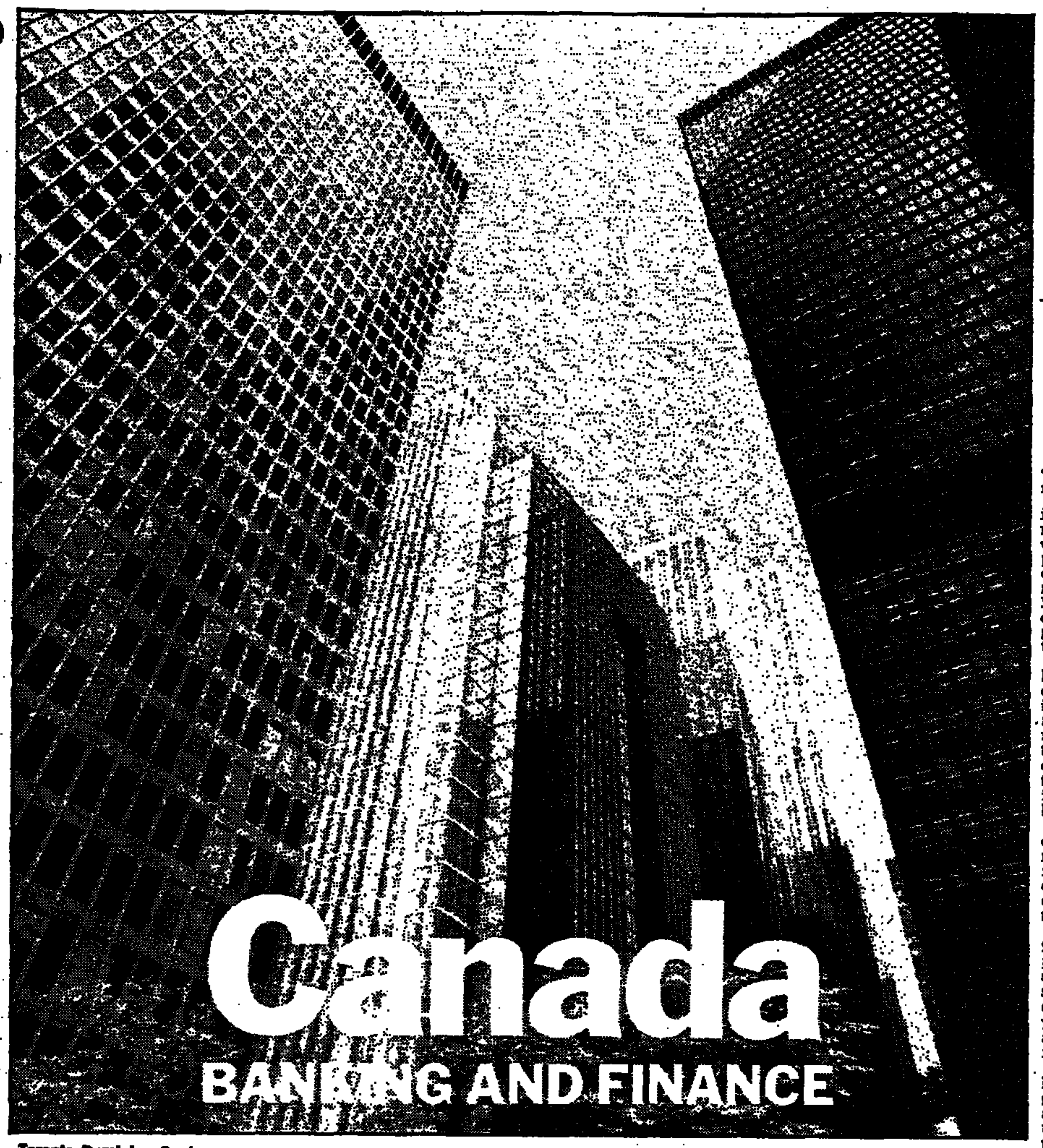
Three of the big six banks—Canadian Imperial Bank of Commerce, Bank of Nova Scotia and Toronto-Dominion—have set up small securities subsidiaries.

The two biggest trust companies—Canada Trust and Royal Trust—have announced they will steer clear of the securities business to avoid conflicts of interest with fiduciary clients.

Similarly, the major life insurers appear to be more interested for the time being in expanding their retail sales forces.

Foreigners have been more active. About a dozen US, Japanese and European firms have already applied for registration with the Ontario Securities Commission for wholly-owned subsidiaries.

Continued on Page 2



Toronto Dominion Center

Terry Kirk

CONTENTS

New era begins

Continued from Page 1

Unperturbed by the high prices which have put off some Canadian investors, First National Bank of Chicago agreed at the end of June to pay C$270m—equal to roughly five times book value—for a 35 per cent stake in Wood Gundy. Shearson Lehman Brothers has raised its interest in McLeod Young Weir from 10 per cent to 30 per cent. James Capel of London has bought a 10 per cent holding in Brown Baldwin & Nisker, a small Toronto-based securities dealer.

Canadian financial institutions hope that the reforms will create as many openings in their international business as on their home turf.

The big six banks, all of which have extensive international capital market operations, have complained in the past that many Canadian borrowers have preferred to appoint US and European lead managers for their Euromarket issues. Now that they have gained corporate underwriting powers at home, the banks may have a better chance of capturing Canadian borrowers' business abroad.

Foreign shareholders will give Canadian securities firms an opportunity to broaden their horizons. First Chicago and Wood Gundy, for example, plan to refer Eurobond, swaps, new issues and other business to each other.

The conglomerates have realised for some time that the opportunity for further growth in Canada is limited. Several are focussing their attention on foreign ventures. Their appetite for non-Canadian assets is likely to increase if the government succeeds in its efforts to clip their wings at home.

Even the four pillars—in spite of their caution—are laying the groundwork for a new era. The banks are determined to expand their fledgling securities businesses. Several insurers have acquired trust companies and more are likely to follow. The trusts want to raise their profile in the corporate sector.

Just as the overall shape of Canada's financial services industry has been radically transformed in a surprisingly short time, many of today's individual banks, trust companies, insurers and securities firms may look quite different within the next few years from what they are now.

Guide to the changes

New rules for entry into securities sector

THE BIG BANG which burst on Canada's financial markets on June 30 would be more accurately described as one in a series of little bangs.

The reforms will be spread over at least a year. On a federal level, they will be embodied in three separate pieces of legislation, one of which has yet to be published. The traditional division of financial sector regulation in Canada between federal and provincial authorities means that the provinces—which have jurisdiction over the securities industry and some trust and insurance companies—must approve several key elements in the reforms.

The first stages of the reform process are embodied in Ontario securities regulations and in Federal Bills C-42 and C-56, which were passed by Parliament shortly before it rose for the summer recess.

The key provision in Bill C-56 is an amendment to existing legislation to enable federally-regulated banks, trust companies and insurers, with the prior approval of the finance minister, to buy shares in a Canadian securities or investment counselling firm.

Ontario, home of the Toronto-based financial institutions, has complemented this Bill by spelling out numerous rules governing the entry of financial institutions and other outsiders into the securities industry. Until June 30 1988, non-Canadians will be barred from owning more than 50 per cent of a full-service investment dealer.

They may, however, as several Japanese firms have done, form wholly-owned local subsidiaries whose business is confined to the so-called "exempt," or institutional, market. All ownership restrictions will be lifted in mid-1988.

In terms of an agreement between Ontario and Ottawa, the federal government will regulate the in-house securities activities of federally-supervised institutions, such as the banks. Ontario will continue to have jurisdiction over securities firms, including those which become subsidiaries of other institutions.

Bills C-56 and C-42 also provide for federal regulatory reforms aimed at preventing a repetition of the failure of two small Alberta banks in late 1985 and the subsequent small banks crisis.

For example, the inspector-general of banks (about to be renamed the superintendent of financial institutions) will be empowered to order a federally-regulated institution to stop any "unsafe or unsound" practice, as well as to remedy the situation to the satisfaction of the authorities.

The third—and most controversial—piece of Big Bang legislation is due to be published later this summer. According to Mr Thomas Hockin, minister of state for finance, a draft Bill will be tabled in the House of Commons by the end of the year.

Mr Hockin says that the Bill will in most respects follow proposals made by the Government in a December 1986 policy paper titled New Directions for the Financial Sector.

Among the topics it will cover are ownership links between commercial companies and financial institutions; conflict of interest safeguards; and directorships of financial institutions.

Among the cornerstones of the policy paper are proposals to loosen the links between financial institutions and companies with commercial interests. (These provisions are not directly relevant to the big domestic banks, which must already be widely owned, with no shareholder having a stake of more than 10 per cent.)

Ottawa suggested in the policy paper that it will in future grant approval for the formation of new trust and insurance companies only to investors "with no significant commercial interests." Similarly, non-financial companies will not be allowed to acquire or increase holdings in any non-bank institution with capital of more than C$50m.

Large non-bank financial groups with commercial links will have to make available at least 35 per cent of their voting shares to the public by the end of 1991 or within five years of reaching the C$50m capital threshold.

Large trust and shareholder-owned insurance companies (defined as those with capital of more than C$750m) will also have to place at least 35 per cent of their shares in public hands by 1991. Once the C$750m capital threshold is reached no shareholder will be allowed to acquire more than 10 per cent of the institution's equity.

In one departure from the policy paper, Mr Hockin indicated in an interview that Canadian companies should not be at a disadvantage to foreign institutions, such as some US investment banks, controlled by commercial enterprises.

He declined to specify how Ottawa plans to hold back a foreign institution falling into this category which, for instance, wanted to buy control of a Canadian securities dealer.

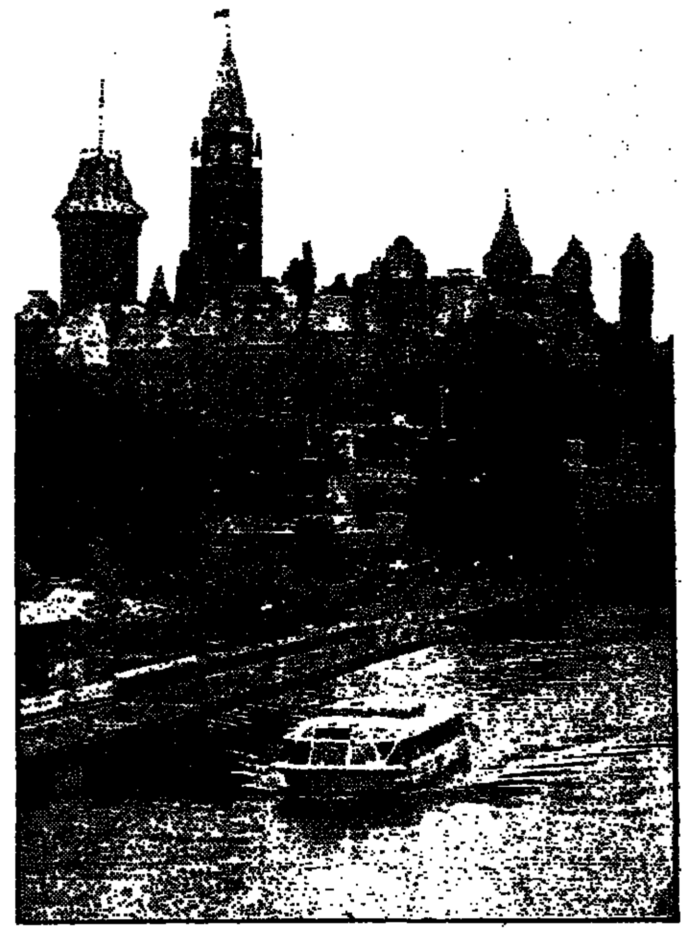
To supplement the new ownership curbs, the Government plans to expand the list of "non-arm's-length" parties with which financial institutions are barred from doing business. Disclosure rules will be strengthened and new controls laid down to staunch the flow of insider information between an institution's fiduciary and other departments.

According to the policy paper, independent directors must make up at least one-third of the boards of all financial institutions. No more than 15 per cent of the directors can be drawn from management.

Independent directors must also serve on various corporate review committees. For example, a committee of the board will be charged with supervising compliance with procedures designed to curb the flow of "insider" information.

Mr Hockin said when he tabled the policy paper that "protecting the solvency and integrity of institutions requires more than changes in ownership rules. No single ownership policy can protect against imprudent management or questionable business practices."

Bernard Simon



The Parliament buildings in Ottawa: reforms spread over at least a year

Regulatory climate

Fuzzy areas between Ottawa and provinces

SEVERAL CONTENTIOUS issues have yet to be resolved as the deregulation of Canada's financial markets proceeds.

With legislation on the ownership and powers of financial institutions still in its formative stages, an intense debate is underway on the extent to which commercial and industrial enterprises should be involved in financial services.

Mr Thomas Hockin, minister of state for finance, says that the draft rules due to be unveiled later this summer will stick closely to plans outlined in last December's policy paper to curb financial institutions' commercial links.

Mr John Crow, Governor of the Bank of Canada, summed up the Government's concerns in a recent speech to the Investment Dealers Association: "To put one's faith solely in regulatory walls to restrict the scope for related-party transactions, without a reinforcing buttress of restrictions on ownership links, would not be prudent."

On the other hand, the groups with non-financial controlling shareholders fear that the curbs may restrict their access to capital as well as putting them at a disadvantage to foreign-owned competitors.

Mr Bill Inwood, senior vice president and general counsel at Royal Trust whose ultimate controlling shareholder is Brascan, a beer-to-zinc conglomerate, says that the proposed rules "will arguably prevent growth other than by internal means." He would prefer specific safeguards to control owners' conduct, such as independent directors and board committees to review related party transactions.

The position in the securities industry of foreign investors with commercial links is blurred by Canada's unusual regulatory regime, which splits responsibility for financial institutions between federal and provincial authorities. Mr Stanley Beck, chairman of the Ontario Securities Commission, says emphatically that companies such as New York-based Kidder Peabody (which is controlled by General Electric) will not be discriminated against.

On the other hand, Mr Hockin, a federal minister, says that "you don't want non-resident companies with a commercial link having an advantage over Canadian-based companies." He adds that the soon-to-be-published draft regulations will include provisions to ensure that the locals are not disadvantaged.

Mr Tom Hockin, Minister of State for Finance: contentious issues ahead

The apparent contradiction stems from the increasingly fuzzy distinction between areas of federal and provincial jurisdiction.

The provinces traditionally regulate the securities industry. On the other hand, the Federal Government oversees banks (including foreign subsidiaries), and most trust and insurance companies. The scope for territorial disputes has widened now that federally-regulated institutions will for the first time be allowed to become shareholders in securities firms.

Ottawa will regulate the entry of foreign firms and the in-house securities business of federally-regulated institutions. Federal laws allowing banks, trusts and insurers (including foreign-owned ones) to invest in the securities industry expressly make acquisitions subject to the prior approval of the finance minister.

On the other hand, the ten provinces retain responsibility for securities firms, plus from now on, the securities subsidiaries of financial institutions.

Mr Andrew Kniewasser, president of the Investment Dealers Association, recently promised a group of US financial analysts "a traditional Canadian scrum as we go about building a new financial system." But he advised his audience not to be "deterred or distracted by these antics. We always work it out."

A more clear-cut area of concern among Canadian financial institutions is the fact that their Government's new open-door policy has not found an echo in foreign investors' home countries, notably the US and Japan. One Banker says that "it's unfair to allow major international competitors to do in Canada what Canadian institutions can't do in their countries."

The Glass-Steagall Act in the US, which bars a commercial bank from entering the securities business, is a particular irritant. All the big six Canadian banks, as well as most leading Toronto-based securities dealers have a substantial presence in the US.

The Glass-Steagall restrictions mean that no merger can be consummated between a Canadian bank and an investment dealer without one or the other curtailing its American business.

Canadian institutions have responded to these curbs by calling on Ottawa to apply a rule of "equivalent access." The banks want to be exempted from Glass-Steagall. Alternatively, they have asked Mr Hockin to use his power to bar the entry of US and Japanese banks to the Canadian securities industry.

Mr Hockin responded sympathetically, saying that "the pace and timing of entry may be affected by how hospitable foreign jurisdictions are to us."

Whether the words will be matched by action has yet to be seen. Despite the financial community's concerns about reciprocity, a higher priority for the Mulroney Government at present is the conclusion of a free trade pact with the US. So long as the talks are on track, Ottawa may not be keen to provoke a tiff with Washington by blocking a foreign acquisition in the securities industry.

Bernard Simon

Banks in the securities business

Combining different cultures

IF ANY domestic concerns were going to buy the Canadian securities firms after deregulation it was going to be the banks. They have the capital base and the facilities that the securities houses needed to play a truly international role, many people said. But as the day approached it was obvious that most of the country's major banks were initially going to go it alone rather than buy an existing business.

One reason is that many people regarded the prices the securities house owners were asking as too high, three and four times book value. Royal Bank of Canada did become involved in lengthy talks with Wood Gundy. But days before the June 30 Big Bang date it withdrew and a week later it was First National Bank of Chicago, the largest US midwest bank, that moved in to buy a 35 per cent stake in Gundy for C$270m(£125.8m).

It is not just price that has deterred the Canadian banks. It is also a matter of combining different cultures. On the one hand the more traditionally structured career, pay and management in the banks, on the other, the more entrepreneurial spirit in the securities houses with young men and women receiving very high salaries and having responsibility for dealing in enormous sums of money.

Royal Bank, of all the Canadian banks, should be well aware of the difficulties through its ownership of the UK merchant bank Orion Royal, with which it has been involved for 17 years, and last year's purchase of Kitcat & Aitken, the UK brokers.

"We as a commercial bank have learnt how to live with an investment bank" says Mr Geoffrey Styles, RBC's vice-chairman. But Royal has yet to declare its intentions towards expanding in the securities industry on the home front.

Mr Paul Cantor, president of CIBC's investment bank, identified the discentive of buying an existing securities firm as certain overlaps such as an additional retail network which would lead to people having to be laid off, no guarantees that the best people would stay and the fact that one would be paying for people with talents the bank already had inhouse.

So CIBC adopted the do-it-yourself approach, buying in the skills where necessary. But Mr Cantor did not see this as ruling out the possibility of acquiring a position in the market dominant in areas where the bank was absent or "niche" player pure and simple. It has already done this with the acquisition of Grenfell and Colegrave, the London stockbrokers. It has also taken a 50 per cent stake in an Australia equity dealer and is operating in the Hong Kong equity market through a joint-venture subsidiary.

Toronto Dominion Bank claims it was the first Canadian bank to break into discount broking when it set up its own operation. It has since bought seats on the Toronto, Montreal and Vancouver exchanges. "That move is looking a lot better than when we did it" says Mr Charles Baillie, executive vice-president.

TD like other banks aims to expand in the money market activities. It already handles large volumes of treasury bills, bank acceptances and commercial paper.

Overall the thrust of the Canadian banks' thinking is that they have the distribution network to develop in discount broking, where they are already active, and they have the experience and scope to move forward in debt-related instruments aside from the more troublesome area of bonds. The logic of spreading into the equity markets is less clear they indicate.

As Mr Terry Shaunessey, a Merrill analyst in Toronto, pointed out, it is hard to sell large bought equity deals in the retail market and usually half goes to the institutions. It is here that the banks could not compete with the securities dealers unless they can get to know the big players. Supporting his view is the fact that no very large bought deal has been handled wholly in Canada.

If the Canadian banks get into trading and the foreign brokers also move in in force, one could be looking at a replay of what happened in London where the existing dealers were mopped up by the overseas firms, Mr Shaunessey suggested.

Though the Canadian banks' determination to enter the securities business after deregulation may have appeared somewhat lacking, the pressures for them to do so have been very strong. A clear trend towards securitisation of debt has been undermining their traditional core business of corporate and commercial lending. Thus the ability to handle ever larger debt issues has increasingly become dependent on one's presence and experience.

Securities is therefore "a crucial element of the banking business today," said Mr Styles.

"In spite of the appearance of not having declared our tactics we were ahead of the others in declaring and being quite public and absolute on the necessity for us and other banks to get into securities."

But need is one thing. The benefits are another. In the medium-term at least the banks do not see ownership of a securities firm as being a significant contributor to bottom-line earnings.

Banks

Company and year end (Oct. 1986)	Return on capital 1 yr.	Return on capital 5 yr.	Assets ($100)	Assets % ch'ge	Return on assets	Op. cost per $100 of assets	Profit mix domestic (%)	Profit mix foreign (%)	Capital ratio	Net int. inc. (% of assets) domestic	Net int. inc. (% of assets) foreign
Continental Bank of Canada	46.95	20.05	5,499,566	−11	0.36	1.96	100	0	20.9	0.35	na
Bank of British Columbia	19.14	5.02	2,674,770	−18	−0.15	3.17	100	0	35.5	0.35	na
Toronto-Dominion Bank	19.00	21.55	51,447,088	2	0.79	1.92	70	30	15.6	4.17	1.69
National Bank of Canada	18.55	15.18	27,872,288	19	0.73	1.86	86	14	19.2	3.58	1.69
Bank of Nova Scotia	16.30	18.33	64,012,516	5	0.54	1.79	49	51	20.9	3.47	1.96
Royal Bank of Canada	13.01	14.84	99,606,565	4	0.50	2.18	74	26	21.4	3.43	2.18
Cdn. Imp. Bank of Commerce	12.42	14.96	80,841,499	7	0.44	1.99	70	30	21.8	3.22	1.61
Bank of Montreal	11.31	12.70	87,179,517	6	0.42	2.22	39	61	23.9	2.70	2.07
Montreal City & Dist. Savings	8.78	12.50	3,841,248	11	0.56	2.44	100	0	15.4	3.09	na
Average	18.38	15.01									

na=not applicable Profic mix=percentage of profit from domestic and foreign sources. Return on assets is calculated after tax. Net int. inc. as % of assets represents net interest income as a percentage of average assets and is shown on a taxable equivalent basis. na for foreign net interest income means that all of the bank's operations were domestic. Bank of British Columbia has been acquired by Hong Kong Bank of Canada, and will become a division under the name B. C. Bancorp. Continental Bank has been acquired by Lloyds Bank PLC, and is in the process of being wound down.
Source: Report on Business magazine.

Where the banks feel more confident is on the domestic retail front where they have a natural distribution network in place in the form of thousands of bank branches nationwide. It seems unlikely that world players such as Salomon, Nomura or Deutschebank would ever be interested in attempting to attack the retail broking market in Canada though acquisition of a leading broking house could bring a sizable network with it.

The domestic banks are also well placed to serve the needs of the individual investor with security type products particularly in some communities where the bank is the only financial institution for miles around. Even at the bottom end of the market deregulation is making a significant change for the banks as they will now be permitted to advertise mutual funds—North America's equivalent to Britain's unit trusts. In the past they could only offer these products to a client if he personally asked for them.

But there is no doubt that there is an enormous cultural divide between banks and securities firms. CIBC has sought to defuse the conflicts by splitting the banking group into three separate operating units to handle investment banking, corporate and retail banking.

When the legal barriers looked like coming down CIBC assumed that it would simply go out and buy a broker. The only question at that time was which one. But after accountant Coopers & Lybrand had examined the existing facility the bank began to query the pertinence of buying a full service firm.

Mr Cantor said: "We suddenly realised in terms of strategic objectives a lot of the pieces of the puzzle were in place. We had extremely aggressive and competitive trading activities in all respects except equities, not only in Canada but also in London, New York and Tokyo."

He expects to see a shake-out in the securities market and does not rule out the bank buying an existing firm. But present needs are being met through the investment banking division with a capital base of C$750m and a staff of 850 compared with the group's capital total capital bases of C$5bn and balance sheet total of C$12bn and 34,000 employees.

So with three of the top five Canadian banks having taken the independent route and Royal Bank looking likely to do the same, the broking firms remain fair game for the international community with angry eyes focused on the US bank. Here the Canadians feel aggrieved that groups like First Chicago can move on their patch with impunity while the Glass Steagall Act in the US prevents them from having both a banking and broking presence in the US.

While the call is not for complete reciprocity as each country is recognised to have its own individual problems, the Canadian bankers do believe in the principle of "equivalent access." A cry that demonstrates that true global deregulation of the financial markets has some way to go. Yet Canada has put itself on the road and there can be no going back.

Chris Cameron-Jones

Domestic banking

LDC loan problem under control

WHEN THE world's leading banks began to make large provisions against their loans to Brazil and other less-developed countries the Canadian banks were not slow to act. In fact, some of the Canadian banks would claim to have been ahead of the rest on what has been regarded as much needed steps toward reality over bad and doubtful loans.

In the US, when Citicorp, the world's largest bank, said it was treating 25 per cent of its Brazil loans as non-accrual, the 15 per cent provision made by the Canadians and others started to look inadequate.

This is a view strongly rejected by the Canadians. Mr Geoffrey Styles, vice-chairman at Royal Bank of Canada, the nation's largest, pointed out that RBC began making provision almost four years ago and while it had not done as much as some it was ahead of the British and Japanese. He also felt it was necessary in a country such as Canada with six major banks, that they did not get into a competition to see who could set aside the most.

The provisions were not obligatory and a degree of coordination was necessary not only with the regulators but also with the tax department and the Government.

Despite the banks' confidence that they have acted appropriately, Canada's Inspector General of Banks has called them in to negotiate an increase to 30 per cent provision which could cost as much as C$800m in two cases.

The issue, the banks point out, needs to be seen in perspective. Mr Charles Baillie, executive vice-president at Toronto Dominion responsible for treasury and investment banking, says that the bank now had non-accrual loans to LDC countries of about C$2.3bn. The damage a default could do had to be put in the context of the enormous capital gain the bank could make by selling its large real estate interests including its headquarters and the 50 per cent in the adjoining complex which is on the bank's books at only C$9.6m.

Even so analysts point out that Brazil has said it would pay 50 per cent of loans and refinance the rest. "That sounds like 50 per cent discount to me," says Mr Terry Shaunessey, at Merrill Lynch in Toronto.

The general feeling among the banks is that the less-developed country loan problem is past. The difficulty for the Canadian banks, unlike their US counterparts, is that whatever action they take to write down debt immediately they are required for tax purposes to average it out over five years. This means that while impact is reduced in the first year the profit and loss account continues to reflect problems long since past.

This disadvantage in terms of depressing true earnings performance in subsequent years should disappear if the latest tax reform Bill presented by Mr Michael Wilson, Canada's finance minister, on June 18, is approved. Under this, the link between loan-loss provisions for regulatory and tax purposes will be largely eliminated. A debit for bad and doubtful debts will be allowed for in the year when they occur and not subject to five-year averaging.

Whatever the correct level of provisioning, the LDC debt crisis, especially where Brazil is concerned, is on the wane where the banks are concerned. Of more interest is from where the next storm will blow for the Canadians.

With oil prices showing a firmer trend the oil loans problem in western Canada, as highlighted by the plight of Dome Petroleum, has abated. Not only that but if the price moves well above US$16 a barrel most of the banks might even be looking at a "rebate" on their earlier crisis measures, most of them based on likely loan losses on oil at around US$15 a barrel. The recovery could be a welcome offset to those LDC problems.

Yet the outlook on the debt front is not all better news. Canadian grain farmers are suffering from low prices and falling land values. While they are not as heavily leveraged as the very large farms in the US the Canadian banks could harvest a few problems here.

However, Mr Baillie does not foresee any serious problems in agriculture and for lending generally Mr Styles does not see "any disasters" on the horizon. So with the oil and forest products industry debt difficulties behind them the banks appear to be in a position, given a good prevailing wind of the forecast of lower inflation, to pick themselves up from some very lacklustre performances for return on equity which has been in the unimpressive range of 10 to 11 per cent save for TD at around 13.5 per cent.

So where is the growth to come from in a mature bank like Royal which claims some 25 per cent of the domestic retail market? Strong growth in consumer loans, particularly mortgages, is expected to continue along with expansion of demand for many of its retail type services, said Mr Styles.

The threat on the domestic front as always for the Canadian banks comes from the trust companies. These concerns are in origin akin to the UK building societies but further down the deregulation road just starting in Britain. The leading trusts such as Canada Trustco and Royal Trust match the retail banks in services offered including deposit and cheque accounts and credit cards.

For the retail banking sector in Canada, deregulation, in essence, means continuing to develop a comprehensive range of financial services through the branches, not just because this is what consumers want but because the trust companies will provide it if they do not.

While the banks have been supportive of the regulatory changes they do feel they are been thrown into a deregulated market with several handicaps remaining. These were identified by Mr Allan Taylor, chairman and chief executive of RBC, as:

- Limitations on business powers, such as data processing services for bank customers. Under the law there is a fine distinction between computer-based services in the financial area. Banks, for example, can provide payroll service but not accounting services. No such prohibition exists for insurance and trust companies.
- The requirement for the banks, but not the trusts and insurers, to keep interest-free deposits with the central bank.
- Prohibitions requiring creation of subsidiaries to deliver trust and insurance services to bank customers, while trust and insurance companies can offer banking service in-house.

In other words the banks' report on the regulators attempt to create a free domestic financial market could be "could do better." The trusts would argue they are totally free neither.

Chris Cameron-Jones

Mr Michael Mackenzie: bank auditor to regulator

Profile: IG of Banks

Expanding role

MAKING THE transition from bank auditor to bank regulator is one of many challenges facing Mr Michael Mackenzie since he became Canada's Inspector-General of Banks last February.

Previously a senior partner at Clarkson Gordon, the country's second biggest accounting firm, Mr Mackenzie, aged 60, took the reins at the Inspector-General's office in the wake of the most severe banking crisis in modern Canadian history.

The disappearance of six of the country's 14 banks in little more than a year led to strong criticism of bank regulators and contributed to the early retirement of the previous IG, Mr William Kennett.

Less reticent than his predecessor, Mr Mackenzie says that his move to the civil service has brought some culture shock. None the less, he has lost little time strengthening the IG's supervisory resources. "I'm using my auditor instincts," he says. "You've got to get beneath the surface of the water to discover how blue or how shark-infested it is."

To give him a closer view of the banks, the IG has opened a large office in Toronto, where five of the six leading Canadian banks and most foreign subsidiaries have their main offices.

Mr Mackenzie has also hired a number of private sector consultants to help smooth the imminent expansion of his regulatory functions as he becomes Canada's first Superintendent of Financial Institutions. In this new role, he will have responsibility not only for banks, but also federally regulated trust and insurance companies, as well as the banks' in-house securities business.

Consultants from four private sector auditing firms have been hired to help find ways of maintaining uniform regulatory standards according to function rather than type of institution. Examination of accounting practices and internal controls over treasury operations are among the early priorities. Meanwhile, a senior securities lawyer has been engaged to draw up controls and accounting guidelines for financial institutions moving into the securities industry.

Mr Mackenzie maintains that the key to sound regulation of financial institutions is open lines of communication between management, directors, auditors and regulators. He says that "any supervisory system has to be built on avoiding a situation where one group has to take its stand in isolation."

To encourage such co-operation, he has suggested that external bank auditors (who took a large part of the blame for the collapse of two Alberta banks in 1985) should have their auditing practices examined by an outside firm. In addition, Mr Mackenzie plans to revive an advisory committee of auditors reporting to the regulatory agency.

He is also building on some earlier innovations, notably a review of bank auditors' working papers, and the appointment of 15 senior retired bankers to review each bank's major credit risks.

The mandate of the "Dad's Army" is to look at the current status of loans, thus giving regulators a more up-to-date picture of banks' stability than they have had in the past.

Mr Mackenzie says that the system may be extended to trust and insurance companies as they expand their commercial lending operations.

Bernard Simon

Trust companies

More pressure exerted on the banks

CANADA'S BIG trust companies have been keeping the pressure on the banks in the retail market. Now the regulators are about to enable them to turn up the heat, particularly with the lifting of the restrictions on their power to make commercial and consumer loans.

Even in the more regulated climate the trusts believe they have always held the marketing initiative with product innovation and flexibility—ability to "turn on a dime" as Royal Trust chief Mr Michael Cornelissen calls it.

Yet deregulation will have its negative side for the trusts just as for the banks. There will be greater competition in most activities, depressing margins, stretching management and probably causing a shake-out among the nation's 70 trusts. The casualties are likely to be among the smaller companies—there are few medium-sized ones.

Only the big players could follow Royal Trust's lead in arranging a C$1bn standby credit line to enable the smoothing out of funding pressure in both the good and bad times.

Mr Alan Marchment, president and chief executive at Guaranty Trust, views the changes favourably: "I think the new environment is exciting and long overdue. The four pillars are a fiction. If there had not been change everything would have been owned by the chartered banks." He argues that the response to competition will be more specialisation.

A cry of foul over trust ownership rules however comes from Mr Mervyn Lahn, president and chief executive at Canada Trust which is part of Imasco. He pointed out that non-financial groups will not be permitted to acquire more than 10 per cent of a trust, loan or insurance company.

Those which already hold more than this are recquired to have at least 35 per cent of voting capital publicly traded. Imasco has, as a result, reduced its holding to 65 per cent but Canada Trust and others with large non-financial shareholders such as Royal which is controlled by Trilon Financial, part of a commercial empire, will be prevented from buying other financial concerns, thereby stopping them benefiting fully from a shake-out in the industry.

As proposed, the legislation would make it very difficult if not impossible for Canada Trustco to enter other areas through start up or by acquisitions, said Mr Lahn. But he felt the changes would enable the trusts to compete more effectively with the chartered banks.

He identified commercial lending as one area where Canada Trust would like to expand. Previously the trusts were required to hold two-thirds of assets in secured loans while the banks were unrestricted. The trusts would be treated the same as banks under the proposals.

Mr Cornelissen was more scathing about the block on trusts owned by non-financial companies acquiring another trust: "We think that is fundamentally and morally wrong. It imposes a restraint on domestic Canadian financial institutions which will not be imposed on foreign institutions permitted to operate in Canada which also have non-financial links."

On the other hand he did feel that the ownership rules were favourable to the trusts in not restricting major shareholdings in trusts to 10 per cent as for the banks. More fragmented ownerships tended to make management less accountalble to shareholders he argued.

Despite the relaxation of controls with regard to the securities industry the indications are that the large trust would rather extend and improve existing activities than go in head first with an outright purchase of a Canadian securities firm.

Royal, like other trusts, has offered discount broking services for some years but it sees a serious area of conflict if it undertook underwriting issues. The trust is deeply involved in investment management and advice and is the third largest mutual fund manager in the country. "We don't see how we could reconcile that with underwriting securities."

However, in taking that position one could lose access to large amounts of capital, and capital is the name of the game in the financial services industry. Royal is seeking to overcome this disadvantage with its five-year standby credit line.

Trust companies

Company and year end	Return on capital 1 yr.	Return on capital 5 yr.	Assets ($000)	Assets % ch'ge	Return on assets	Return on common equity	Op. cost per $100 of assets	Capital ratio	Interest rate spread	Loans as % of assets
National Victoria and Grey (Oct 86)	14.63	17.72	9,701,057	11	0.74	13.39	1.86	20.5	2.18	73
Central Trust (Dec 86)	14.42	11.09	3,409,791	16	0.59	17.61	1.86	28.2	2.23	77
Canada Trustco Mortgage (Dec 86)	13.57	17.88	24,095,855	12	0.70	13.98	2.15	23.5	2.33	70
Royal Trustco (Dec 86)	13.08	14.85	19,543,000	45	1.11	18.85	2.61	15.1	2.05	66
General Trustco of Canada (Dec 86)	11.28	13.78	3,526,219	16	0.64	16.80	1.81	22.2	1.98	59
Fiducie du Quebec (Dec 86)	10.85	na	1,294,997	16	0.47	13.96	2.62	31.3	1.95	77
First City Trust (Dec 86)	9.60	9.64	3,133,467	17	1.16	14.77	1.85	19.9	2.47	61
Guaranty Trustco (Dec 86)	8.64	na	4,640,670	22	1.01	16.47	2.82	20.6	2.32	77
Standard Trustco (Dec 86)	6.35	4.97	1,274,848	14	0.81	18.38	1.02	22.7	2.01	85
Montreal Trustco (Dec 86)	5.10	10.89	7,054,290	127	0.57	12.55	1.67	20.2	1.91	73
Average	10.75	12.60								

na=not available. Interest rate spreads (the difference between interest rate earned and interest rate paid) are shown as percentages and are on a taxable equivalent basis.
Source: Report on Business magazine.

Mr Michael Cornelissen, president and chief executive officer of Royal Trustco: ability to turn on a dime

Mr Alan Marchment, president and chief executive of Guaranty Trust: the four pillars are a fiction

Meanwhile it is selling an interest in Savory Milln, the British stockbrokers, acquired as part of Dow Financial Services takeover last year, and disposed of a 10 per cent holding in a Montreal securities firm.

In contrast, Mr Sam Belzberg, chairman of First City Trust, the eighth largest in Canada, has said the trust, which is raising C$45m, planned to enter the brokerage business either direct or "with friends." Also Central Capital, parent of Central Trust, the seventh largest, is considering a move into the Canadian securities business after its C$93.2m agreed deal to buy Canadian General Securities, a Toronto-based financial services group which controls Traders Group.

The latter company is parent of Guaranty Trust, the nation's fifth biggest though with less than a quarter the assets of Royal and Canada trusts, the industry leaders.

While the other trusts may change their minds about not becoming too involved with the securities industry there is no doubt that the main thrust of their thinking will be in exploiting the new climate in their ongoing battle for market share against the banks. While Mr Cornelissen concedes that the big banks will remain big and successful. His company illustrates the culture difference between the trusts and the banks.

For a start there is the claim to innovation. But this is no good without the ability to turn a product idea into a reality. The trusts use half or less the number of layers of management found at a large bank—Royal has five. This means a financial product can be launched in some cases in little over a week where it could take a bank 18 months by which time the market has moved on.

Then there is productivity. Royal, for example has a tenth the number of branches of the chartered banks but claims to operate each between seven and eight times more efficiently. New technology is playing a major part in this and not surprisingly spending is the fastest growing investment area for Royal. It is currently absorbing C$75m a year.

As Mr Marchment at Guaranty Trust, noted, when the large trusts broke new ground by introducing interest-generating current accounts Guaranty had to pool resources with two other trusts to match the move. But the spending on new technology by the trusts pales by comparison with the C$2bn earmarked for the next five years by the Royal Bank of Canada.

To some extent the banks are hampered by the need to protect their image as secure sober institutions while the public expects a more maverick attitude by the trusts. This does not overlook the fact there have been a number of significant failures in both sectors in recent years.

The maverick tag is certainly one given to Royal Trust in the UK when it upset the unit trust industry by sharply cutting management fees including dropping any charges for switching funds. It hopes to adopt a similar approach to mutual funds, the Canadian equivalent of unit trusts, in its domestic market.

So far it is also the only Canadian company to offer a credit card with a 1 per cent discount on purchases. Mr Cornelissen described this product as phenominally successful and suggested that others had been slow to follow suit because they had too much money tied up in their existing credit card businesses.

Yet despite their enthusiasm and confidence the trusts have to be seen in perspective. At the end of 1986 the 70 Canadian trust and mortgage loan companies had total assets of C$220bn—an C$18.3bn increase on the previous year—compared with a total of C$382bn for just the big five banks. So clearly the trusts with their extended powers and prospects in the light of the country's economic growth offer scope for increasing market share.

Nor have the trusts had everything their own way even in mortgage lending which had been their exclusive preserve until 1965. When the banks entered this sector they very rapidly became a dominant player. By 1984 the trusts and loan companies share of mortgage lending had fallen to 43 per cent of the total C$23.68bn such lending by all institutions. Two years later when the total had reached C$41.49bn, the trusts share was down to less than 36 per cent.

Mr Marchment takes a philisophical view of activities where competitors depressed margins to unprofitable levels: "withdraw and compete elsewhere." Hence the interest in commercial lending.

One new strong growth area identified by Royal Trust is in personal financial planning. Demand has doubled over the past 12 months.

Yet with increasing competition and proliferation of financial products—a situation being further stimulated by deregulation—even sophisticated investors were becoming confused about the best course to take. As a result Royal has taken the unusual step of offering personal financial planning service on a fee basis and it says it is doing "remarkably well." Also thanks in part, to the regulators the trusts have not become involved in sovereign debt problems which are currently hitting bank results. Their biggest headache in this respect is their involvement in mortgage lending in the oil recession hit western provinces, but for most trusts these represent a fifth or less of their total lending.

But a cautionary note especially for the smaller trusts must be the projection for the industry finding growing acceptance that the "critical mass" needed to survive in the financial services business into the 1990s is around C$20bn. At present, that only puts the two leaders in play without the need to merge.

Chris Cameron-Jones

Insurance companies

Earnings start to pick up

IN THE first three months of this year Canada's largest general insurer saw pre-tax earnings jump nearly six-fold from C$4.1m to C$24.4m (£11.8m) with underwriting showing a profit in what is a traditionally a difficult time of year. The recovery at Royal Insurance Canada speaks volumes for what has happened to the industry in the past two years.

It is emerging from what has been described as "the most trying period of the century." Since 1980 eight insurers have collapsed. It required the sharpest increases in premium seen since the beginning of the 1970s to steer the insurers away from underwriting losses which in 1985 had reached £1.3bn. This total was more than halved in 1986 and the prospects are good for the current year.

Lessons appear to have been learned and some damage repaired with two years of premium hikes of around 20 per cent by many companies. Yet already there are signs of cracks in the industry's resolve with outbreaks of price cutting in the commercial property class. Nor have the higher premiums helped the lobby fighting against establishment of government-run motor insurance services.

The industry has been the victim of changing judicial environment which more and more begins to look like that of the US though the size of awards have yet to match the staggering levels experienced south of the border. The problem is that the cost environment is not improving and it is being left to the industry to take its own defensive steps to contain soar-away costs.

The companies would argue that the price increases are little more than a long overdue inflation adjustment. Ironically the start of the industry's plunge can be traced back to government attempts to contain inflation.

To seek other sources of profit some of the smaller companies looked to re-insurance commissions making them increasingly dependent on the re-insurers. When the re-insurers started to withdraw from Canada growth had to be sought by price cuts that the larger groups were eventually forced to follow.

This particular scenario, which led to cuts in income as costs rose sharply, is not likely to be repeated. But in a mature insurance market like Canada where growth opportunities are limited, the triggers for a price-war always linger just beneath the surface.

UNDERWRITING EXPERIENCE

	1982	1983	1984 (C$m)	1985	1986
Gross premiums	7,940	8,240	8,500	9,580	11,840
Underwriting loss	522	377	962	1,334	569

Some people are building their hopes for a securer future on the creation of insurance rate review boards which are being considered by several provinces and legislation is already passing through the Ontario parliament. Just how far a bureaucratic body can effectively control a free market in this way has yet to be demonstrated.

A tightening of insurance company law means that companies which have failed in the past seven years would not be permitted to operate today. Their insolvencies tended to drag the whole market down and their impact on the market was totally disproportionate to their size.

To rub salt in the wound the rest of the industry has to meet the winding-up costs excluding the claims, which in the case of Northumberland Insurance Company amounts to C$60m (£28.6m).

Mr Roy Elms, president and chief executive of Royal which may have to pay up to C$5m of this bill, said: "This means these people have stolen your business and you end up paying for it. I think this is a needed change in the regulatory environment."

The re-insurers who serviced the failed companies may have also learnt a lesson and make capacity available more cautiously.

Even so Canadian insurers cannot be over-confident about their improved performance. Special factors such as a mild winter—by Canadian standards—helped the auto results. The property business benefited from a decrease in major fires and the absence of catastrophic weather losses.

The general insurance business is cyclical. Added to this there is a time lag between remedial action and the benefits starting to show through on the profit and loss account. So the current profit performance does not necessarily mean that all is well. But there is no doubt Canada's property and casualty business has achieved a dramatic turnround and insurers do not have to have positive underwriting results to produce a good return on capital.

Top Five General Insurers

Ranked by 1986 net premium income

	1986 (C$m)	1985 (C$m)
Royal Insurance Canada	586	483
Co-operative General	551	484
Lloyd's (non-marine)	440	368
Economical Group	372	278
Zurich Insurance	369	259

That return which plunged to around 6 per cent in 1984 was little better in the following year but in 1986 rebounded to near 15 per cent. In auto business a survey by the Insurance Bureau of Canada of the top five insurers representing a third of the market, showed that premiums were raised 20 per cent in 1986.

Mr Elms believes the industry as a whole will, at worst, break even on underwriting this year: a very satisfactory result in the present interest rate earnings climate.

Basically the regulators have accepted the industry's proposals for change. But not everyone is happy about the tougher rules. Some argue that the severe restriction on the use of re-insurance impairs the flexibility to be innovative which is one of the few ways of cutting yourself a larger slice of the cake without resorting to price cutting.

But assuming the industry's house has been put in reasonable order and can resist another collapse into price war, domestic growth prospects must be closely tied to the country's economic growth. The signs are that the recession is over in the eastern provinces, but in the west in places such as Alberta its effects are still being felt though some steadying of oil prices should help.

But strong premium growth means little if costs cannot be contained. Not surprisingly for the motor business the industry is placing much store in promoting the idea of no-fault insurance in Ontario. Under this the injured party would lose all rights to sue for damages instead receiving specified compensation with no account taken of pain and suffering. For example a person would be able to claim up to $600 (£286) a week for loss of wages.

This would cover about 90 per cent of the population. Anyone earning in excess of this figure could sue for their loss. Unlimited medical and rehabilitation would be met and there would be special provision for long-term care of up to C$200,000.

Introduction of such a system would, it is estimated, make a 20.4 per cent saving on costs. This could translate into a 10 or 11 per cent cut in premiums if the savings were fully passed on to the customer.

But the proposals are meeting strong resistance on the grounds that it conflicts with federal law on rights and freedoms.

Perhaps the biggest threat to the motor insurance companies could come if the call for government-run insurance schemes makes headway. Saskatchewan, Manitoba and British Colombia are the only governments in the industrialised free world to have introduced state-owned monopoly systems for bodily injury and property damage in automobile insurance. But these provinces represent less that 20 per cent of the total population.

The industry claims that the savings from such schemes are relatively minor and their introduction lowers the quality of service.

Aside from the problems in motor insurance the industry has also to come up with a solution to the increasing difficulty manufacturers are having in obtaining cover for their products, especially those being exported to the US. The problem would become more than one of insurance if the present talks on free trade between Canada and the US prove fruitful. Failure to satisfy the demand for cover from the Canadian producers would leave the US exporters at an advantage in selling into a less-adverse judicial environment.

Some help in this respect might come from the newly formed Canadian Insurance Exchange.

Chris Cameron-Jones

Conglomerates

'New Directions' under fire

SOME OF Canada's largest corporations are in dispute with the Federal Government over Ottawa's proposals to restrict ownership and growth of the financial institutions they now control.

Last December the Government published *New Directions* for the Financial Sector, a blueprint for a more open, flexible and creative regulatory environment to help Canada compete in the emerging global financial revolution.

At first blush, the proposals buttress the principle that a dynamic financial system should have room for both widely-held and majority-controlled institutions.

But the blueprint puts certain institutions into a new category, namely "commercially-linked narrowly-held" companies. University of Western Ontario economist Thomas Courchene says this may end up stifling the competition that "New Directions" was designed to promote and may encourage more financial industry concentration.

The companies most directly affected by "New Directions" and its approach to ownership are: • Power Corporation of Canada and its Power Financial Corporation financial services subsidiary, both majority-controlled by Montreal financier Paul Desmarais.

• Trilon Financial Corp., majority-controlled by the Peter and Edward Bronfman interests of Toronto; Imasco Limited, 40 per cent held by BAT Industries PLC. of Britain; • Laurentian Group, Quebec City, ultimately controlled by a mutual insurance company; and Crown Inc., Toronto, controlled by the Jodrey family of Nova Scotia and the Michael Burns family of Toronto.

The common thread running through these groups is that they control major financial service companies such as insurance, trusts, and money management firms and even a federally-chartered savings bank, while at the same time operating subsidiaries in such non-financial fields as fastfood vending, tobacco manufacturing, real estate, pulp and paper, health care and electronics. In the case of Laurentian, the commercial link is highly tenuous.

Critics of the conglomerates have raised the spectre of excessive economic power being wielded by such conglomerates if they are allowed to expand their financial services links unchecked. Abusive self-dealing and a dangerous influence on public policy are among the perceived risks.

The conglomerates reply that majority ownership of financial institutions by themselves or by financial groups has served Canada well. They contend that the large banks make large loans to a few major borrowers, thereby contributing to the concentration of corporate power in the non-financial sector.

Recent figures show that the chartered banks account for 56 per cent of the financial service industry's assets, 65 per cent of the deposits, 84 per cent of the commercial loans, 71 per cent of the consumer loans and 31 per cent of the mortgage loans, far outweighing the share of all the trust companies, life insurance firms and credit unions combined.

The conglomerates argue that Ottawa's "New Directions" proposals give the chartered banks power to roam acquisitively into the insurance, brokerage and underwriting sectors as the four pillars come down, giving the banks adequate muscle to compete effectively.

But financial institutions majority-owned by conglomerates or other financial groups would not be allowed to form new banks, trusts or insurance companies, would have to ensure 35 per cent public ownership within five years, and submit to further regulation.

The conglomerates say that self-dealing is just as great a risk among the management and the directors of widely-held institutions as for conglomerate-controlled institutions. Bank boards invariably include representatives of the most important corporate customers.

"Many officials are obsessed with the possibility of conflict of interest and the dangers of inter-company transactions, but self-regulation can cope with this and more improvements are coming with the system of outside directors and outside auditing groups," says Mr Claude Castonguay, chairman of Laurentian Group.

Trilon has had several meetings with federal officials and has found some sympathy for its case that "New Directions" is excessively restrictive for all majority-controlled institutions.

Imasco has agreed to reduce its holding in Canada Trustco, the country's second largest trust company, to 65 per cent over five years, but it is going to fight hard to get the restrictions on growth lifted. It has already taken extensive measures to satisfy demands to minimise the risk of conflicts of interest.

Several years ago, Imasco won a long dispute with the former Trudeau Government to be free to expand in Canada without fiat of the former Foreign Investment Review Agency which vetted foreign investments. Imasco is now regarded as a Canadian company despite the 40 per cent holding of BAT Industries of Britain.

Several compromises have been suggested to the dilemma posed by "New Directions." Some want a 10 per cent ownership limit for all types of financial institutions similar to the ceiling on bank shareholdings. But others suggest that all institutions should be wholly-owned until they have C$10bn in assets, declining gradually 50 per cent on C$30bn and finally 10 per cent over C$40bn. These totals would apply only to domestic assets and would exclude segregated funds. The concept of commercially-linked majority-owned companies would be eliminated.

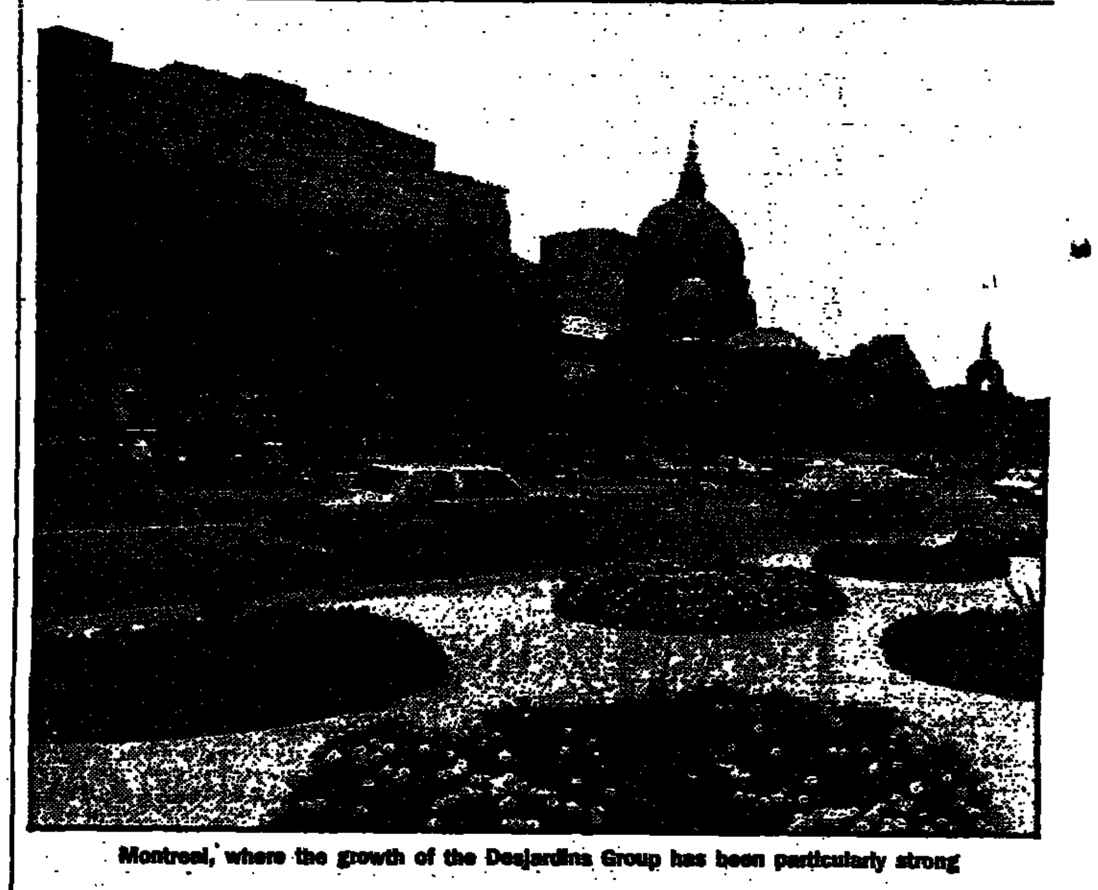
Yet another suggestion is that all institutions should be subject to the 35 per cent public ownership rule, which would provide sufficient protection for minority shareholder rights. That idea may prove the basis for a final compromise.

Robert Gibbens

FINANCIAL SERVICES

Company and year end (Dec '86)	Return on capital 1 yr.	Return on capital 5 yr.	Assets ($000)	Assets % ch'ge	5-year asset growth	Return on assets	Profit ($000)	Profit % ch'ge	5-year profit growth	Investments as % of assets
Integrated										
Trilon Financial	16.01	na	21,751,000	44	na	1.79	128,000	32	na	18
Power Financial	12.62	na	1,286,123	52	na	12.35	132,634	15	na	87
Genstar Financial	7.79	na	25,095,576	10	na	0.70	76,338	−7	na	20
Laurentian Group	7.65	na	6,924,464	55	na	0.89	25,741	132	na	29
Traders Group	7.37	8.19	4,978,976	16	6.9	1.05	20,372	61	50.2	15
First City Financial	5.69	9.59	4,534,852	21	16.1	1.81	36,314	52	−2.9	43
Average	9.52	8.89								
Mutual fund managers										
AGF Management (Nov 86)	87.30	50.46	22,789	42	10.8	61.23	5,914	101	24.4	69
Mackenzie Financial (Mar 86)	67.62	59.43	35,645	76	38.9	50.66	5,998	39	26.6	46
Guardian Capital Group (Dec 86)	17.25	18.26	32,705	38	16.4	15.48	2,165	23	4.8	62
CSA Management (Mar 86)	8.04	na	17,034	32	na	6.17	178	−72	na	3
Guardian Pacific Rim (Dec 85)	0.73	na	90,327	49	na	0.76	254	−53	na	86
Average	36.19	42.72								
Investment dealers										
Geoffrion Leclerc (Aug 86)	42.49	na	69,751	90	na	22.94	5,297	369	na	31
McNeil Mantha (Sept 86)	16.00	na	114,871	73	na	12.51	3,882	92	na	46
Midland Doherty Financial (Mar 86)	10.82	na	567,331	6	na	8.09	446	7,333	na	51
First Marathon (Dec 86)	9.87	na	291,052	180	na	9.48	9,293	207	na	10
Nesbitt Thomson (Mar 86)	8.02	na	1,419,653	75	na	6.33	4,993	−11	na	78
Pemberton Houston Willoughby (Mar 86)	6.55	na	127,941	40	na	5.05	1,007	34	na	44
Walwyn (Sept 86)	5.25	3.33	491,227	0	9.6	5.01	5,030	1,334	nm	75
Dominion Securities Limited (Sept 86)	2.10	na	3,121,530	23	na	1.80	15,854	154	na	50
Average	12.64	3.33								

na=not available. nm=not meaningful. For Guardian Pacific Rim, percentage change in profit is based on annualized amounts.
Source: Report on Business Magazine



Montreal, where the growth of the Desjardins Group has been particularly strong

Credit Unions

Giving the banks a run for their money

CANADA'S CREDIT UNIONS, built on the 19th century co-operative ideals of Britain and Europe, are doughty competitors for the big chartered banks and trust companies in consumer markets, especially in Quebec.

The total assets of the country's credit union movement, with a coast-to-coast branch network of more than 4,000 units, have reached nearly C$60bn including affiliated insurance and fiduciary institutions. The unions make up around 16 per cent of the national retail financial services market.

The annual rate of asset growth has averaged about 8 per cent over the past five years, and in some parts of the country, particularly Quebec, has far outdistanced the banks.

This huge business is divided about half and half between the credit unions of English-speaking Canada grouped under the umbrella of the Canadian Co-operative Credit Society, based in Toronto, and the Desjardins Group operating all over Quebec and in several small French-speaking areas of Manitoba, Ontario and New Brunswick.

The growth and political influence of the Desjardins Group in Quebec has been extraordinary over the past two decades. Its 1,500 branches throughout the province, with large concentrations in Montreal and Quebec City, provide full banking services to individuals and small business, competing head-on with the chartered banks.

The Desjardins network of caisses populaires has been a leader in introducing new technology for 20 years, and its computer systems are now undergoing their third major update. In all, the group has about 24,000 employees. Assets at the end of 1986 were C$30bn, including C$24bn for the *caisses populaires* network itself, and the balance for affiliated institutions.

Two out of three Quebecers belong to a *caisse populaire*. Each *caisse* has its own local board of directors and belongs to one of 11 "regionales" or regional federations. The regionales in turn control policymaking at the Desjardins Group headquarters in Quebec City and at affiliated institutions, including trust and life and casualty insurance companies.

Last year Desjardins garnered 38 per cent of the Quebec consumer loan market, half the residential mortgage loan market, made half the farm loans and made about 18 per cent of the province's commercial loans, mainly to small businesses.

Desjardins also operates a wholesale banking unit responsible for funding the needs of the regions and an industrial holding company that controls a large food processor-distributor and one of Canada's largest vehicle leasing companies.

Desjardins faces several challenges as Canada's financial services industry moves towards deregulation. It can expand the affiliated trust and insurance companies outside the province to help maintain growth. But taking its retail financial services network beyond Quebec and the three French-speaking areas of the other provinces would not be easy.

Instead, the group may have to fight harder to hold its dominant position on its home turf.

Besides preparing for greater diversity of services made possible by advanced computerisation, Desjardins is now looking for ways to maximise its leverage by selling equity to the public, perhaps through a new holding company controlled by the regionales.

This would provide new capital for growth by putting the group's accumulated reserves to full use, and could also be used as a powerful marketing tool.

Desjardins already owns 10 per cent of a stockbroker. Two of its affiliated institutions have already made public stock issues. But it also wants to retain its basic co-operative structure and the founding spirit of 1901 when it began taking deposits and lending to farmers and artisans turned away by the banks.

The assets of English-speaking Canada's credit unions totalled about C$26bn at the end of 1986, excluding most of the affiliated institutions. The network comprises 2,300 units in nine provinces. The co-operative structure is similar to the Desjardins Group, with provincial organisations, controlling policymaking and the CCCS.

The unions' greatest strength lies in the Maritime provinces, the Prairies and British Columbia. Market penetration in populous Ontario is low.

One reason, says Mr Ralph Beslim, CCCS communications manager, is the different perception of credit unions in Ontario, especially in Toronto. Ontario credit unions have been identified traditionally with specific industries or ethnic groups, rather than community-type organisations as in most other parts of the country.

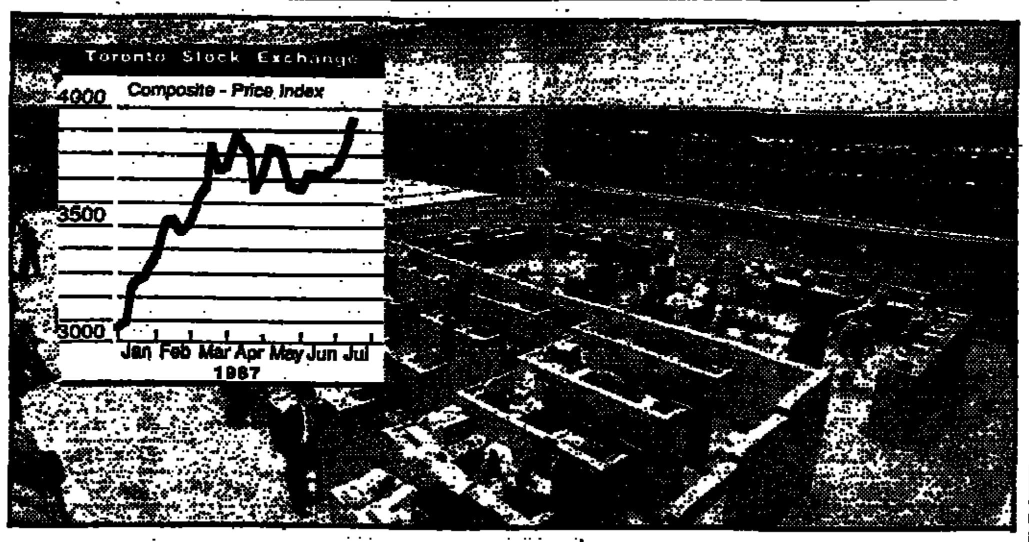
Credit unions have a 35 per cent market share in Saskatchewan, and a 17 per cent share in British Columbia. They are very strong in farm loans on the Prairies, but run well behind the banks and trust companies in residential mortgages in all areas.

Loans to small business total about 5 per cent of their portfolios, and larger-scale lending to corporations for major projects is handled at the provincial level. Stepping up the pace of commercial lending is not a top priority at this point, said Mr Beslim.

"Our greatest challenge in the near term is to build our market share in Metropolitan Toronto," he said. "We have to convince the public there that credit unions are full-service financial institutions doing business with the general public, and that depositors are fully protected by our stabilisation funds and provincial regulation.

The credit unions have several one-stop financial services units operating on a pilot scale in Western Canada, but more time is needed to ascertain the degree of public acceptance. The unions are watching experiments by others, including the Desjardins Group, which has offered something approaching one-stop-shopping for many years.

Robert Gibbens



The futures market of the Toronto SE

Stock Exchanges

Toronto leads the way

CANADIAN STOCK EXCHANGES have watched the phenomenal growth in world trade in stocks and bonds, international capital markets and money supply, and have decided they must be part of the action.

Canada is already the world's fourth largest capital market; the three leading Canadian exchanges, Toronto, Montreal and Vancouver, are confident that with new capital flowing into the securities industry, advanced information technology and development of new products, they can prosper and build on the coming financial services revolution.

They want to cement their role as regional exchanges, but also provide Canadian investors with full access to foreign markets at competitive cost and attract foreign investors to the Canadian markets with superior service. It is a tall order.

The lead has to come from the Toronto Stock Exchange as the country's largest by far. Now fully automated, the TSE accounts for about 76 per cent of the total dollar volume of trading on the four Canadian exchanges. The Montreal exchange does about 18 per cent and the rest is done by Vancouver and the two local exchanges in Calgary and Winnipeg.

Of the combined dollar volume of Toronto and Montreal alone, the TSE holds a share of about 81 per cent and the ME 19 per cent.

Optimists argue that opening up the Canadian securities industry to outsiders brings in badly needed capital. Also the exchanges themselves are getting access to new capital through rising interest by large international securities houses in buying seats.

Daiwa Securities paid a peak *C$361,000 for a TSE seat in May.* Other foreign firms are negotiating similar deals both in Montreal and Toronto. American and other investment banks have moved to Toronto, Vancouver and Montreal.

The Canadian exchanges have invested many millions in automation over the past five years, to provide fast, efficient and competitive trading facilities. These plans will be completed when the VSE opens its fully automated trading floor next year. The TSE has sold its CATS system to Paris and is negotiating similar deals elsewhere.

They believe they now can provide automatic execution of orders at the best possible price, thereby developing further trading links with US and other foreign exchanges.

The TSE recently created the TSE-35 index comprising 35 of the most liquid and heavily-traded Canadian stock issues. The index is designed as a base for index options and futures contracts. The TSE-300, a broader index, will be retained, but the existing options and futures based on it will probably be dropped.

The idea is to offer institutional investors, both domestic and foreign, more attractive programme trading facilities with full hedging. Similar indexes for options and futures contracts have been set up in Australia, Hong Kong and Japan to attract major institutional investors.

All the Canadian exchanges are working to get more non-Canadian listings by offering simplified procedures which are less costly than listing requirements in the US. Montreal has been a leader, though its progress in developing an international section has been disappointingly slow.

The ME has a new president, Mr Bruno Riverin, who recently headed the wholesale banking arm of the $30bn Desjardins credit union movement in Quebec. The ME's recovery pace has slowed, but he says he is determined to interconnect more closely with the Tokyo-London-New York axis.

The ME already has links with the Boston Stock Exchange and through the International Options Clearing Corp. with the Sydney and Vancouver markets. Links are also in the pipeline with regional floors in such cities as Chicago and Philadelphia.

Mr Riverin wants to downplay rivalry with Toronto and work more closely with the TSE to develop Canada's access to the world trading system.

The VSE is striving to become an international venture-capital market with fully automated trading, and to play down its penny-stock image. It is getting more co-operation now from the British Columbia provincial government and supervision is being tightened.

Sceptics point out that Canada can at best account for only a few percentage points of the massive international trade in securities. They urge the Canadian exchanges and investment houses to be cautious and to concentrate first on providing domestic customers with efficient access to foreign markets and bringing foreign institutional customers into Canadian markets.

Some are nervous about commitments being made to 24-hour trading, to new and expensive products and costly link-ups that may not be able to stand the test of a real market setback on the scale of 1974 and 1982.

Robert Gibbens

Securities firms

Domestic banks stay on the sidelines

BIG BANG has left Canadian securities houses in a kind of limbo. First, the expected rush by domestic institutions to snap them up has not materialised. Second, the indirect effects of deregulation threaten profitability.

Some outsiders believe the securities firms are themselves to blame for the lack of take overs by seeking three and four times book value for companies *where the greatest assets* walk out of the door every night. However, a few partial deals have been done but all by foreigners. These include the purchase by First Chicago, the US banking group, of 30 per cent of Wood Gundy, Canada's second largest investment dealer, after the broker terminated talks with Royal Bank of Canada.

In another deal, Shearson Lehman, the New York investment bank, lifted its stake in McLeod Young Weir, Canada's fifth largest, to 30 per cent from 10 per cent. But these deals only go to emphasise the likelihood *that if any houses are going to* be acquired outright it will be by foreign institutions when they are permitted after June 30 next year.

Part of the reason for Canadian financial institutions'—particularly the bank's—hesitation over what to do about the securities business may have been their unwillingness to buy investment firms "at the current modest offering price, which for some reason they consider rather extravagant," Mr Francis Lamont, chairman of the Investment Dealers Association of Canada, suggested in his latest report.

Behind this may be "the illusion that the extensive branch and communications networks of the chartered banks are key potential assets in the distribution of securities." Building one's own capability takes time to reach a critical mass Mr Lamont suggested.

The structural changes brought about by the new regulations had been anticipated by the industry which expanded its capital by 50 per cent during 1986 to C$1.54bn (£733m) from C$1.03bn in 1985. This compared with *C$577m in 1982.* At the end of March this year there were 99 firms employing over 24,000, against 100 firms employing almost 20,300 in 1985, and 98 firms employing almost 17,000 in 1982.

Even so, the absence of domestic or potential foreign buyers is not seen as good news for Canada. As Mr Donald Bean, president and chief operating officer at Wood Gundy, pointed out: "If you want to see a couple of Canadian groups in the top 25 in the world it is going to be *virtually impossible if no Canadian dealers link up with Canadian banks."*

Thus it would seem that the intentions of the authorities to deregulate so that Canada could find a major role in the world securities market risks is being thwarted. But the market has been launched on an irreversible process according to Mr Andrew Kniewasser, president of the association. At present the association has 60 member firms, which handle 95 per cent of the primary and secondary deals in the country. So far it has had over 50 applications for membership, about half from non-resident firms.

Six large American and four Japanese investment banks dominate the list of applicants for broking licences in Ontario. Mr Stanley Beck, chairman of the Ontario Securities Commission, said he did not envisage the smaller foreign houses applying since it was an expensive undertaking.

Even so, with the domestic banks and the foreign institutions seeking part of the action while the Canada's securities houses remain independent, the outlook can only mean intense competition not just over business but over staff.

The prospect is that margins will be squeezed by lower prices, while costs will be forced up as the best qualified people will be able to command high salaries. "You can see people being put into a situation where they have more reward and less risk at another firm. They can't be replaced in short time," said Mr Bean.

Loss of top staff can affect the public image causing business and market share starts to slip away. Combine that with a cyclical downturn in the market and times would get tough for the independent domestic firms.

However, some analysts *believe that if just* one Canadian bank buys an existing securities house the rest would quickly follow. While most of the big banks so far appear to have chosen to go it alone, the problems of buying in expertise and building a reputation may persuade them to change their minds.

As it happens, 1986 was an outstanding year for the nation's securities industry. Operating profit was up 35 per cent on 1985. Though there was only a modest rise in corporate financing, common equity issue jumped from C$4.7bn to C$8.9bn of which just under half was for the small and medium-sized businesses. Despite this growth Canada is not a significant force in the world capital and equity markets compared to the three leaders New York, Tokyo and London.

If Canadian brokers are to have a global role in the era of deregulation therefore, it will undoubtedly be as niche players.

Mr James Pitblado, chairman of Dominion Securities, looking at a radically different world to the sheltered one the Canadian houses have enjoyed in the past, said that his company would try to maintain its strong domestic base while selectively growing in international markets where it has particular expertise, principally with Canadian clients. Dominion Securities aimed to continue to invest heavily in new technology.

Even so, his view of the possible outcome of recent developments in worldwide deregulation has an almost religious commentary: "We are creating great potential for very serious problems. Money corrupts and financial services business is where you get closer to money than anywhere else. I think the pressure is on everyone to perform. This will create a very serious situation.

"We have seen the world trying to survive an international banking crisis. What if the whole financial sector goes through one of these international crises?" Such remarks reflect the real concerns outside their own self interest that the securities firms were endeavouring to convey with their resistance to the Big Bank proposals.

Mr Kniewasser reflected some of this concern by reporting that a lot of people had changed their minds and "think we are going too fast."

It is certainly true that matters have progressed quickly. It is 17 years since Merrill Lynch of the US bought Ross Securities in Canada. The whole question of foreign ownership of Canadian securities firms that this brought up fuelled a debate which has been going on ever since. But the deregulation proposals took shape only towards the end of 1986.

Ironically Mr Bean does not see much increase of choice for the investor. Nor was there any substance to the argument that the securities industry was under-capitalised: "We said we had enough capital to do the business we were wrong. If we have an expertise at all it is in raising capital if we don't have enough," he said.

The most hopeful sign for the domestic securities firms is that their foreign rivals have not as yet displayed an intention of attacking them on their home fronts. Instead they are concentrating on bond trading debt financing and underwriting.

Meanwhile, the Canadian firms like Dominion will not be trying to compete with major Japanese and US firms or aim to be a gilts dealer in the UK or a primary dealer in the US. "That is big league stuff. We are sitting in a niche that we know," said Mr Pitblado.

But with 99 firms already in the market, and more about to join, the question for the domestic securities firms in Canada must be whether there will be enough profitable niches to go round. The answer must be no, so a shake up can be expected in the industry whether or not those much expected mergers ever come to pass.

Chris Cameron-Jones

Profile: Donald Bean

Skilled politician of finance

If anyone knows about the frontline on the tussle between Canada's securities firms and the regulators it is Mr Donald Bean, president and chief operating officer of Wood Gundy, the nation's second largest firm.

An executive member of the Investment Dealers Association of Canada and its president in 1985-86, Mr Bean is chairman of the Securities Industry Planning Committee which was formed in December last year, with the Ontario and Federal governments, to work on the deregulation proposals.

In this role he has appeared before parliamentary bodies and the regulators. Representatives of the country's five self-regulating bodies involved with the industry sit on the committee and the "provinces" have been looking over its shoulder.

This is not the first time Mr Bean has been on the hot spot. He was involved in the debate with the regulators when Merrill Lynch of the US took over local firm Ross Securities 17 years ago and set in train a debate over foreign ownership that has gone on until today.

"We are into dramatic trade-offs with Federal government and the provinces wrangling about jurisdiction for investor protection," Mr Bean said of the latest talks.

Fortunately he finds he gets along with politicians which is perhaps a good thing trying to resolve how to make a national market work given two sets of regulations covering the financial institutions.

He has never been far from the politics of finance since leaving the University of Western Ontario in 1964. He joined Mercantile Bank of Canada before moving on to Wood Gundy in Toronto in 1969. Four years later he became an assistant vice-president and then vice-president and eventually reaching his current post in 1982.

When not in the office or at home with his family he relaxes from the uphill struggles at work with the downhill slopes of a ski run, sailing some smoother waters, or taking his frustrations out on a tennis ball.

Chris Cameron-Jones

Mr Donald Bean, president and chief operating officer of Wood Gundy

Foreign institutions

Deregulation starts buying spree

AN IMPROVED climate for foreign investors since the Mulroney Government came to office in September 1984 is reflected in the steadily growing presence in Canada of US, European and Japanese financial institutions.

Investment Canada, the Government's monitoring agency, has approved every one of the 250-odd applications submitted by prospective investors from a broad range of sectors since it replaced the Foreign Investment Review Agency in July 1985.

Like Fira before it, Investment Canada often requires investors to give specific undertakings relating to job creation, local management and Canadian equity participation. But a recent survey of multinational companies by the Conference Board of Canada found that there is less concern about government regulations and foreign investment controls now than under the previous Liberal Government.

Mr Paul Labbé Investment Canada's president, says that "we have not tried to force people to do uneconomic things."

Ottawa's more relaxed attitude towards outside investors has helped several foreign banks benefit substantially from the 1985/86 crisis which wiped out almost all the country's domestically-owned small banks.

Britain's Lloyds Bank became the biggest foreign bank in Canada when it came to the rescue of Toronto-based Continental Bank last October. Continental was one of the half-dozen institutions brought to their knees by the run on wholesale deposits which began with the failure of two small Alberta banks in September 1985.

Lloyds Bank Canada now has assets of C$5.4bn and a network of 55 branches throughout the country. The bank is focusing its business on medium-sized commercial accounts as well as high-income individuals. Treasury activities are being expanded.

Hongkong & Shanghai Banking Corp, whose Canadian subsidiary was already building up a significant presence in the retail market, has taken over Bank of Columbia. Following the acquisition, Hong Kong Bank of Canada has assets of C$3.1bn. Hongkong & Shanghai has gained another foothold in Canada through the acquisition by James Capel, its British stockbroker subsidiary of a minority stake in Brown Baldwin Nisker the Toronto investment dealer.

Foreign banks in general have greatly expanded their business in Canada since a 1980 amendment in the Bank Act allowed them to set up full-service local subsidiaries. Although restricted to 16 per cent of the banking system's total domestic assets, the 55 foreign-owned institutions (also known as Schedule B banks) have doubled their combined assets in the past four years to about C$40bn.

The prospect of financial sector deregulation coupled with Canada's general political and economic stability have sparked further interest among foreign financial institutions.

In terms of the new ownership rules, foreign institutions are now allowed to own up to 50 per cent of a Canadian securities dealer, rising to 100 per cent in mid-1988.

They can immediately set up wholly-owned subsidiaries to cater for the "exempt" or institutional market.

Shearson Lehman Brothers was first off the mark by announcing plans to raise its interest in McLeod Young Weir, one of Toronto's most respected securities dealers, from 10 per cent to 30 per cent.

Others have looked around, but many have hesitated to go to the expense and trouble of either buying an existing firm or starting up from scratch.

In some cases, Canadian firms have been skittish about teaming up with more powerful foreign partners. Such concerns scuppered negotiations earlier this year between Merrill Lynch—whose existing Canadian operation is one of a handful of exceptions to earlier foreign ownership curbs—and Burns Fry of Toronto.

Goldman Sachs and Salomon Brothers are among the US securities firms planning to set up offices in Toronto. But others are likely to be content to continue handling Canadian underwriting business from their head offices south of the border.

Like financial centres elsewhere, Toronto has also drawn a growing number of Japanese institutions. Four leading Japanese securities dealers—Daiwa, Nikko, Nomura and Yamaichi—have bought seats on the Toronto stock exchange.

An official at Nikko Securities says that the conservatism of many Canadian companies has made it difficult to break into the corporate market. None the less, Nikko is doubling its local staff.

Foreign Banks

Company and year end (Oct '86)	Return on capital 1 yr.	Assets ($000)	Assets % ch'ge	Return on assets	Op. cost per $100 of assets	Capital ratio	Net int. inc. as % of total interest	Owner
Citibank	31.84	4,463,563	−3	0.81	1.66	17.2	25.1	Citicorp (NY)
Morgan Bank	27.82	990,580	−9	0.78	0.88	15.0	20.2	Morgan Guaranty Trust Co (NY)
Swiss Bank Corp	27.65	1,088,613	44	0.73	1.02	24.2	20.5	Swiss Bank Corp (Switzerland)
Manufacturers Hanover Bank	21.88	646,359	5	0.70	0.79	14.7	20.0	Manufact Hanover Trust (NY)
Midland Bank	8.50	662,797	12	0.24	1.60	17.9	15.7	Midland Bank PLC (UK)
Credit Suisse of Canada	8.32	922,506	0	0.23	0.92	21.3	18.8	Credit Suisse (Switzerland)
Bank of America Canada	6.08	1,095,395	11	0.26	2.33	12.4	21.1	BankAmerica Corp (US)
Bank of Tokyo Canada	5.30	735,410	10	0.29	0.88	10.8	20.0	Bank of Tokyo (Japan)
Banque Nat'l de Paris (Canada)	5.15	1,303,841	5	0.18	1.43	18.5	20.8	Banque Nat. de Paris (France)
Chase Manhattan Bank of Canada	4.95	609,428	26	0.23	2.26	13.5	21.4	Chase Manhattan Overseas (US)
Nat'l Westminster Bank (Cda)	*3.75*	*1,361,455*	*10*	*0.17*	0.55	18.2	16.0	Nat'l Westminster Bank PLC (UK)
Barclays Bank of Canada	3.69	1,853,240	15	0.12	1.14	20.3	18.3	Barclays Bank PLC (UK)
Credit Lyonnais Canada	3.21	956,364	−6	0.03	0.74	21.4	9.2	Credit Lyonnais (France)
Chemical Bank of Canada	2.81	1,153,994	−14	0.33	0.79	14.4	12.1	Chemical Bank (NY)
Societe Generale	−52.04	836,872	9	−1.91	1.07	20.2	14.3	Societe Generale S.A. (France)
Average	7.26							

Net int. inc. as % of total interest represents net interest income as a percentage of total interest income.
Source: Report on Business Magazine

Besides government and institutional business it plans to offer brokerage services to wealthy individuals, especially in the local Chinese community.

Nippon Life and Sumitomo Life have also set up subsidiaries in Toronto to oversee their Canadian bond and equity investments. Nippon has a real estate investment arm which has bought a small interest in a Toronto office building.

Japanese interest in buying Canadian securities ballooned during 1986 and the early part of this year. According to Statistics Canada, Japanese investment in Canadian bonds jumped from C$2bn in 1985 to C$6.6bn last year and C$679m in February 1987.

More recently however, the inflow of funds has slowed to a trickle as Japanese insurance companies and pension funds have switched to investments in stronger European currencies. Even a six percentage point spread between Canadian and a Japanese bond yields in mid-June was not sufficient to compensate for the perceived risk of a lower Canadian dollar.

Miss Yaeko Munamasa, assistant vice-president in Wood Gundy's international division, observes that while Japanese investors buy US Treasury bills mainly for trading gains, most look on Canadian bond purchases as long-term investments.

Bernard Simon

Tax havens

Vancouver and Montreal seek IBC status

There has been talk for six years of turning Montreal and Vancouver into international banking and financial tax havens, but no-one is quite sure yet how to make it happen.

Governments have been looking over their shoulders at the billions of dollars of business passing through established tax havens such as the Bahamas, the Caymans and the Channel Islands and also the international banking centres in London, New York, Tokyo and elsewhere.

They have seen Canadian chartered banks do a brisk business in lending to non-residents in foreign currencies through such havens, and wondered whether some of the activity and the revenues could not be repatriated.

Pressures have come from Montreal first and then Vancouver, backed by their provincial governments and the private sector. The two cities want to internationalise their role as financial centres as counterbalance to Toronto.

After long debate, Finance Minister, Mr Michael Wilson, has committed the Federal Government to international banking centres in both cities, saying the potential economic gains would be worth the direct tax losses. According to the Government, the move can help Canada find its place in the global financial revolution. But Mr Wilson has so far withstood the scorn of Toronto which feels left out.

Federal deputy Minister of Finance Mr Stanley Hartt says the technical issues are still being worked out with the IBC plan, and legislation is possible by the end of 1988. Montreal and Vancouver will not be in the same league as Tokyo or London, he says, but IBC's will attract banking expertise that in turn will help them grow as international trading centres.

According to Mr Hartt, the initiative is not a threat to Toronto's dominance as Canada's major financial centre. He says, "repatriating a couple of dozen bankers from the Caymans won't hurt Toronto in any way, but we have to do the thing right and make the benefits exceed the costs. We must design it so we don't create fiscal leaks."

Canadian institutions would set up international subsidiaries, legally domiciled in Montreal or Vancouver to do normal banking business with non-residents on a tax-free basis, in other words, exempt from Canadian income taxes.

When Montreal first took up the idea with Ottawa in 1982, the response was negative. Federal studies had shown that the business gained and jobs created would not be worth the effort. But Montreal would not be put down, and the Quebec Government was moving ahead with Canada's first steps towards deregulation of the financial services industry.

Montreal then proposed the concept of an international financial centre, widening the scope of the business available to securities trading, money management services, foreign exchange and the like. Vancouver soon gave moral support.

Montreal argued that such a plan would dovetail with the development of the local exchange's international links and cement the city's natural affinity with Europe and the North-eastern United States. Vancouver said an IFC would help develop its trading and financials links — with South-east Asia.

The proposals seemed innocuous enough, but before long Mr Don Blenkharn, a Toronto-area member of parliament who is chairman of the Commons Finance committee, *forecast the spilling of "buckets* of blood" at the political level. Even the IBC concept, for him, would be the equivalent of a "bankers' relief act."

But persuading the Canadian banks to bring home the activities they now carry out in the Bahamas or other tax havens would be a gain for the whole country and would benefit Toronto as much as Montreal and Vancouver, said Mr André Saumier, former president of the Montreal Exchange and a promoter of the IBC and IFC concepts.

The IFC proposal for Montreal has raised several federal-provincial difficulties. Quebec has draft legislation for an IFC in Montreal, and says it is ready to move ahead on its own giving provincial income tax, and other incentives to institutions setting up *subsidiaries* in Montreal to repatriate offshore business. It cannot specifically invite banks, because these come under exclusive federal jurisdiction.

Its long-term aim is to restore Montreal to its former position as Canada's pre-eminent financial centre.

At the federal level, an IBC would pose some tax difficulties. Most of Canada's international tax treaties provide for a withholding tax of 15 per cent on interest payments made on loans by Canadian banks to non-residents. This would more than negate the narrow margins in international lending. So IBCs could *involve renegotiating tax* treaties.

On June 30, the IBC proposal received its second reading in Parliament but the measure was returned to Mr Blenkharn's committee for further consideration when Parliament resumes in the autumn.

Montreal and Quebec have no intention of giving up their IFC ambitions.

The Bureau d'Etablissements Financiers Internationaux has set up an office in Montreal with an experienced staff and with government and private sector support to go on lobbying for an IFC. The chairman is Mr Jean de Grandpre, chairman of Bell Canada Enterprises Inc., based in Montreal, and one of Canada's largest private sector companies.

Mr Michael Wilson, Finance Minister, has committed the Federal Governmet to creating international banking centres

Robert Gibbens

Profile: Sun Life of Canada

The image is sharpened

REGARDED BY many as among the most staid of the country's leading financial institutions, Sun Life of Canada has recently shown signs of a sharper edge.

The biggest life insurer has responded to the challenge of a rapidly changing financial services industry by expanding aggressively its sales force and actively looking for new areas of business both in Canada and elsewhere.

A younger management team is also about to take over the reins. Mr Thomas Galt, who has kept a low profile during his 14 years as chief executive, plans *to retire before long after* almost four decades with the company.

He is expected to be succeeded either by Mr John Gardner, now president, or by deputy chairman Mr John McNeil. Mr McNeil, aged 53, and Mr Gardner, 49, assumed their present positions earlier this year.

Sun Life has corporate assets of just over C$20bn, with another C$22bn under administration. Premium income, totalled C$3.6bn last year, and income from investments C$1.8bn.

The search for new horizons in a sense takes Sun Life back to its origins in Montreal more than a century ago when it quickly expanded *from Canada* into the US, Caribbean, the Far East and Britain. It pulled in its horns in the 1940s and 1950s, but is now once again looking for fresh openings.

"The tendency will be to achieve size by looking beyond one's borders," Mr Galt aged 65, said in a rare interview.

The Canadian company returned to Hong Kong in the early 1980s after a long absence, and has more recently looked at ways of gaining a foothold in continental Europe. But the main thrust of its expansion will be in the US and Britain, as well as on its home turf in Canada.

Reflecting the fast-changing nature of its business, Sun Life has started using the name Sun Financial Group for its US operations. It has built on the acquisition five years ago of Massachusetts Financial Services, a leading purveyor of mutual funds, by acquiring a New Hampshire-based trust company and a disability income insurer.

The Canadian company's British subsidiary (no relation to Sun Life Assurance, the UK company recently embroiled in a dispute with its South African shareholders) has launched three unit trusts in the past year and plans to expand its pension fund business. Sun Life of Canada is already Britain's second biggest group life insurer.

In Canada Sun Life will enter the mutual fund business later this year by introducing six funds. It also plans to expand its Canadian institutional investment counselling arm.

The furore sparked by Sun Life's decision to move its head office from Montreal to Toronto at the height of Quebec separatist fervour in the late 1970s has died down. Although the company lost many of its young francophone agents as a result of the move, Quebec has recently been *the fastest-growing part of its* Canadian business.

Mr Galt emphasises size rather than diversity as the cornerstone of Sun Life's strategy. He says that the company has no plans to enter the Canadian securities business, nor to become a short-term deposit-taking institution in the wake of forthcoming financial sector reforms.

On the other hand, he told the company's annual meeting earlier this year that, as international competition intensifies in the financial services industry, size will be an increasingly important factor in determining success. Sun Life is concerned that its growth will be stunted by federal *government proposals* which would bar it from acquiring other financial institutions, thereby confining it to internally-generated *growth.*

One of its most potent competitive weapons is a 3,500-strong full-time sales *force*. The role of insurance companies' field representatives is growing *as product* ranges expand *into* mutual funds and other savings instruments. Sun Life plans to put at least another 500 agents in the field this year.

But the potential for salespeople to become mini-financial conglomerates is limited. Mr Galt cautions that "we're not kidding ourselves that we can get our agents to sell a vast range of products without it hurting our life sales."

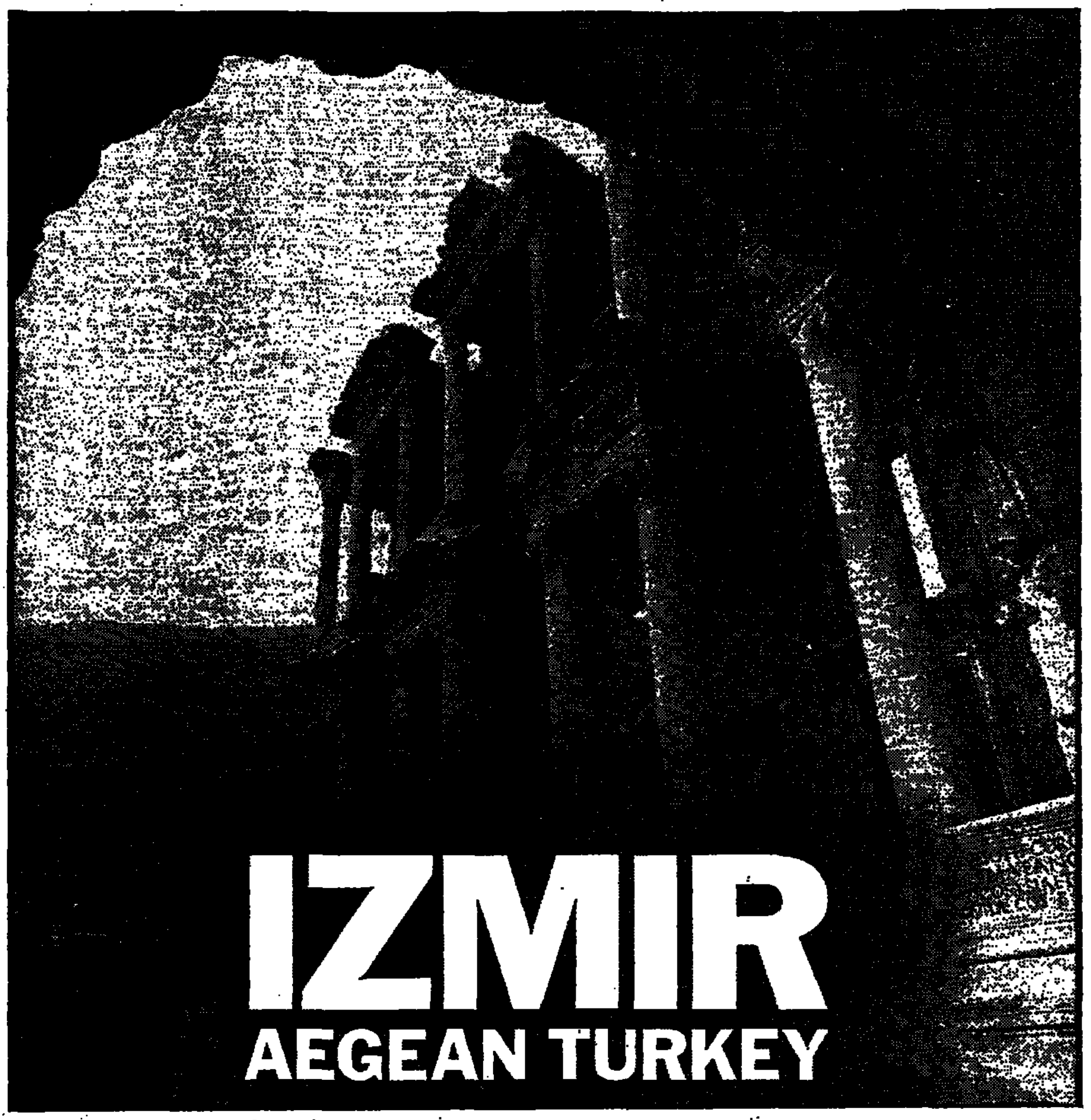
Mr Thomas Galt, chief executive of Sun Life of Canada: search for new horizons

Bernard Simon

SECTION IV

FINANCIAL TIMES SURVEY

Izmir has become one of Turkey's most dynamic business centres. It manages to maintain a vigorous trading image, built on strong export traditions, without harming the timeless serenity of one of the Aegean's most prosperous and thriving cities. Survey written by **David Barchard**



The Celcus Library, now restored, one of the main tourist attractions of the world-famous ruins at Ephesus Terry Kirk

CONTENTS

Region thrives on exports

FEW CITIES in the Western world stretch back as far as Izmir, or have a comparable reputation for charm and graciousness over the centuries. Even fewer manage to combine such a reputation with bustling life of a large trade port and a burgeoning industrial centre.

Yet that is what the Izmir of the late twentieth century, a city of more than 1.6m inhabitants, at the heart of a region with more than 6m people, has succeeded in doing.

Izmir remains an outstandingly delightful place, both for the visitor and its residents, envied by much of the rest of Turkey.

For the city's older inhabitants, there may be a sense of a breach with the past, and the submerging of the intimate but cosmopolitan world of the Izmir which existed at the turn of the century. Most of the city's buildings today are recent, while its population has grown beyond recognition, swollen by tide of immigrants from Anatolia who number over a million people today and are constantly multiplying.

To the outsider, however, Izmir displays strikingly more continuity with its past than most Turkish cities. Leventine French, English, and Italian families still play a large part on its busines life, just as they did a century ago.

Like other port cities, Izmir today has its eyes less on the hinterland behind it than on the world across the water with which it trades. Families have sent their sons to be educated in Europe for centuries, and still do. In the city, Europe's influence is much more visible than in the country as a whole, despite the teeming suburbs of shanty towns and immigrants.

"In our city, the middle class is very strong," says Izbir's governor, Mr Vecdi Gonul. "We may not be the richest town in Turkey, but we are the most middle class one."

Some foreigners resident in the town feel that the life of the business city is a little too different from that of the hinterland to be entirely secure. "It is a bit like living under a bubble or in an enclave," says one.

The pressure of immigration, which pushed up the city's population by 15 per cent and that of the surrounding province by 14 per cent in the first half of this decade, seems set to continue and is recognised by the city's mayor, Mr Burhan Ozfatura, as one of the biggest challenges facing him. By their numbers the immigrants stretch services and infrastructure well beyond limits originally planned for them.

However, the city's booming economy—and the fact that it has a surplus on its foreign trade, unlike the country as a whole—seems to guarantee that its separate character will be maintained.

The economy of Izmir rests on four pillars: agriculture, commerce, industry and latterly tourism. Each embraces a variety of activities and lucrative opportunities for contact with the outside world.

Some companies can trace their history back for decades. For instance, Izmir Pamuk Mensucat, a leading Izmir textiles company, possesses records of its pre-First World War board meeting, written in French and Ottoman Turkish in a fine copperplate hand.

But most companies are new arrivals, many little more than a decade old. This year, for instance, the National Can Company of the US opens its Turkish operations in a plant in the Manisa industrial zone, 40 minutes' drive from the heart of Izmir, where most new industry is to be found.

These developments redress a tendency in the 1960s for Izmir's role in the national economy to shrink. Before 1914, Izmir is thought to have handled about 40 per cent of Turkey's foreign trade and local merchants would proudly repeat that "If Istanbul sinks, Izmir will save the day."

In 1985, exports and imports from the port of Izmir were each only about 13 per cent of the national total, though by no means all of the ciity's foreign trade, and still less that of the surrounding region, goes out through its port.

The rapid growth of Istanbul into an industrial megalopolis of 6m people has inevitably left Izmir far behind. Few Izmirlis in any case would wish upon their own city the virtually total break with the past and the disappearance of most of its best-loved featues which has befallen Istanbul since 1960.

A businessman from one of the minority groups, with family connections going back over 400 years, says: "I think anyone who spends any time in Izmir will eventually realise that people here are conservative. They don't feel the need to go too far or too fast. Maybe they are not as interested in new lines of business as they might be."

Yet Izmir has transformed itself into Turkey's second industral city. In doing so it has faced some obstacles as well as holding some advantages. One of the most formidable problems has been the virtual divorce since 1922 between the mainland Aegean region of Turkish Anatolia and neighbouring islands once inextricably linked to it by trade.

This is the aftermath to the traumatic events following the First World War. In May 1919, Greek armies invaded Izmir, under the protection of British battleships nn what proved a futile attempt to conquer and annexe Western Turkey.

The invaders practised the cruelty and destruction familiar in other Near East conflicts. A British resident of Izmir at the time recorded, for example, the beating to death on the quay of 30 Turkish officers by the arriving Greek troops.

Three years and four months later, on September 9, 1922 (still a local feast day) Turkish armies re-entered the city. There was an exodus of the Greek population and the invading armies—and a great fire broke out obliterating much of the old city. Neutral non-Turkish eye-witnesses agree on blaming the departing invaders and their allies.

At any rate, much of the old city was lost and trading links destroyed. In a way, Izmir has been partially eclipsed by this and the subsequent inward-looking economic policies of Turkey until the present decade.

"No one in the city feels any resentment or hatred towards the Greek people," says Governor Gonul. Greek television is widely watched by ordinary people, and when viewing was disrupted by technical problems a few years back when Greek TV went over to colour, the Greek embassy in Ankara was bombarded with complaints by viewers.

Businessmen would like to see rivalries wane and trade with Greece revive. So too would the Turkish government, but its overtures to Athens in the past two years have been immediately brushed aside. However, the number of Greek visitors, often making shopping trips, is growing.

The overshadowing growth of Istanbul has been a second problem. It is not only the largest consumer market in Turkey by far, but also controls the lines of distribution into Anatolia. Make something in the Aegean and you will usually have to sell to Istanbul or through Istanbul. This deters some investment.

It also makes some Izmir companies move north. The Eczacibasi Group came from Izmir but has been Istanbul-based for a generation. Last year, Mr Atilla Yurtcu, head of the Izdas group moved to Istanbul, though he says he has not deserted his home city, simply shifted his export operations.

Izmir would probably benefit from a more concerted promotion of itself and the region around it which tend to be little known outside Turkey. There is an international fair, but as one foreign businessman says: "The fair is not to be taken very seriously. Industrial goods are on display, but to the wrong people—the general public and their children."

The president of Izmir's chamber of commerce, Mr Dundar Soyer, has been battling unsuccessfully for a shake-up in the fair for many years.

The various people and institutions who should play a key role in attracting outside investment are not co-ordinated and there is no publicity organisation.

Nevertheless, a glance around the Izmir region reveals examples of new, well-managed investments, aimed at world markets, which one would expect: Soktas, Raks, Vestel, Kutas, to name a few in different fields.

Such enterprises are perhaps a bit thinner on the ground than might be hoped and mostly on the city's periphery, while it is easy, too, to spot less-profitable large-scale enterprises in its centre producing for the domestic market.

The prospect for Izmir is agreed to be one of steady expansion. When Turkey moves closer to full membership of the European Community, regional growth is bound to accelerate. "A deeper relationship between Turkey and the EC is obviously going to benefit the Aegean coast in particular," says one foreign businessman.

The city has done well out of the trade liberalisation of the 1980s in Turkey, and though the ruling Motherland Party was defeated in a by-election for an Izmir constituency last autumn, support for the policies of the Prime Minister, Mr Turgat Ozal, is probably well above the national average in the city.

The party's candidate in the by-election was Mr Yurtcu of Izdas. Many though by no means all of Izmir's businessmen strongly support Mr Ozal's reforms; they tend to be less enthusiastic about the religious upturn which has come with them.

The feeling, though, is that while good and bad times come and go in Turkey as a whole, Izmir's strong record as an export centre and the sophisticated conservatism of its people, guarantee it a calm, prosperous future insulated from any national uncertainties.

Dynasties play an important role in industry

Place for family business

WHAT'S IN a name? In the business world of Izmir, a very great deal. The city's business scene is largely, though not entirely, a world of families and relations, *reflecting the city's merchant* past.

There are a few international corporations, such as Coca Cola, or Turyag, the Turkish subsidiary of Henkle of West Germany, or Vestel, the Manisa-based electronics offshoot of Polly Peck International.

There are also some corporations—for instance the Iron and Steelmakers Metas, or the region's two main cement companies, or the truckmakers BMC (in which the original British parent company now owns less than a 3 per cent stake)—which are owned by a combination of companies, families and foreign investors.

But these are exceptions. Most Izmir businesses are family-run, some of them by the second or even third generation.

The major name is that of Yasar, whose 47 different companies almost make up a regional sector inn their own right.

Though Mr Selouk Yasar, the present chairman, inherited the business from his father, he has effectively built the group up into the conglomeration it is today by entering new fields, not all of them immediately obviously profitable ones. "In some ways he is probably ahead of his time," says a foreign banker.

Who ranks next? There is some disagreement. The Ozsaruhan family, who preside over Metas, have one claim. Another belongs to the Ozakat group who are generally seen as the main industrial family after the Yasars.

The Ozakats own the Egebank, a motor parts producer called Otomobilcilik ve Ticaret, a packaging plant, and food processing plants.

The Ozakat group consisted originally of three families, but families have a way of multiplying. Currently ten families are involved and in another generation the number is expected to rise to 30.

For this and other reasons, a major restructuring operation is under way. Apart from streamlining the operations of the group, this change should, clarify the relationship between it and its cadet members, probably guaranteeing employment *but not necessarily a role in* running the business.

Multiple ownership can mean vulnerable management. Last year there was a major shake-up at Ozakat, when in a move without precedent in recent Turkish company history, 55 per cent of the shareholders got together and voted out the chairman, Mr Melih Ozakat and installed his *younger brother, Ergun, in his* place.

The change sent shivers of horror through the older generation of Izmir businessmen, though the group has clearly gained from an infusion of new entrepreneurial talent, something which is perhaps scarcer in the city than it ought to be.

At Mr Ergun Ozakat's side now stands Mr Istemi Gurel, who himself heads another group based largely on the Sunel tobacco business but also *including interests in the motor* industry, cement, packaging, agricultural exports—and its own spice firm Kutas, a bulk supplier for Maccormacks.

Elswhere in Izmir, the Yurtou and Sivri families run Izdas, a group largely based on iron and steel and foreign trading. Another Sivri, Mr Esat Sivri, has set up Denizli Basma ve Boya, a leading exporter of ready-to-wear garments and printed cloth to the USA.

After Mr Seluk Yasar, Izmir's most remarkable entrepreneur *is probably 45-year old Mr Aslan* Onel, of Raks, makers of electrical goods and audio and video-cassettes aimed at international markets. The Raks plant at Manisa is one of Turkey's most advanced excursions into industrial high tech.

However, the doyen of the city's business life is probably Mr Herve Giraud, owner of Izmír Pamuk Mensucat, the second oldest textile company in Turkey.

There is a strong admixture of Italian, French, Jewish, and even English influences in the city's business, all taken entirely for granted among Izmirlis, though there are sometimes tensions with immigrants from the Anatolian hinterland.

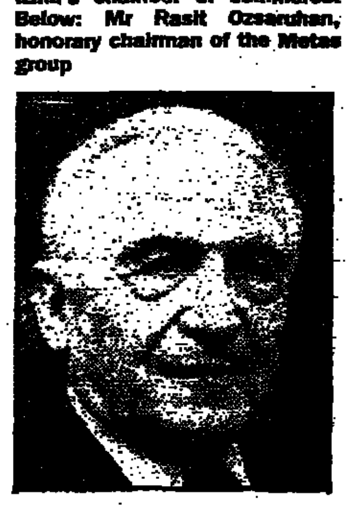
Many of these families have been in Izmir for two or three hundred years. Izmir Pamuk Mensucat, for instance, was set up in 1914 but the family was running a carpet business long before that, selling Turkish carpets to the Victorians.

Older Izmirlis sometimes *speak nostalgically of the great* Izmir companies of the past—M. J. Taranto ve Kumpanyasi, for instance, was founded in 1888 and dominated the city's life until the second World War, or the English H. C. Whittall and Co.

The field is not closed. The Regusin brothers' motor parts factory, set up in the 1970s, is one prominent new arrival. Just who is financially strong is another question. Many Izmirlis instinctively point to the tobacco-exporting families as having the most ready cash.

As one foreign businessman puts it: "There are no balance sheets to be seen for the families. My gut feeling is that some of them are pyramiding upon a relatively small amount of capital with too few imaginative entrepreneurs."

Mr Dundar Soyer, president of Izmir's chamber of commerce. Below: Mr Rasit Ozsaruhan, honorary chairman of the Metas group



Profile: Dundar Soyer

Izmir's biggest salesman

FOR MANY Turks living in other parts of the country, Mr Dundar Soyer, president of the city's chamber of commerce, is more or less synonymous with Izmir itself.

Mr Soyer is one of the few remaining national figures in Turkey closely linked with the founding fathers of the republic. His father was a comrade in arms of Kemal Ataturk, and later was made governor of Izmir. A photograph in Mr Soyer's office on the seafront at Alsancak shows his father and Ataturk drinking champagne at some forgotten celebration in the 1930s.

Mr Soyer himself has lived in Izmir for near 45 years. He was educated at Ankara's political science faculty and then at the Sorbonne where he read economics.

His business activities range from foreign trade to the fertiliser industry, steel, and the production of nuts and bolts. He has been president of Izmir Chamber of Commerce since 1971.

"Izmir is an open window looking on to the west," he says. "The rest of Turkey may look towards Istanbul but we look to Europe. This is a very ancient port which has been selling agricultural goods to Europe for many centuries."

He has been one of the foremost proponents of the Gaziemir free zone, planned for a site just south of the city. "Izmir is very suitable for industrial development and foreign investment," he says. "We do have the same sorts of dificulty as anywhere else in Turkey, but much less acutely. People are a bit smarter here."

Mr Soyer has mixed views on the Ozal government's economic policies, *favouring the shift to* trade liberalisation and exporting, but critical of, for example, the government's inability to bring down inflation. He believes also that agricultural production should be stimulated by new incentives.

"The recent package of agricultural incentives is really not very effective," he says.

For Izmir, he would like to see a complete reform of the city's annual international fair which, like most businessmen, he feels has too little to do with business. "Members of the chamber of commerce go in and out of it like ordinary members of the public," he says.

Another need in his view is for some sort of organisation to help guide foreign investment to the city.

"This is a rich zone and though you have a lot of agriculture, you also have every other major type of economic activity represented. We have always been a transit point for trade between Europe and the Middle East and the Far East. This role could be expanded.

Members of his chamber are mostly foreign traders though they also include some medium-sized industrialists. In this the Izmir chamber closely resembles its counterpart in Istanbul.

Mr Soyer's leadership goes well beyond business matters. In May this year he was at the centre of a national controversy when he stormed out of a dinner being given by the president of the Union of Turkish Chambers of Commerce and Industry which he felt had turned into an Islamic prayer-meeting.

He tendered his resignation on the spot as a member of the union's board and announced plans to set up an association of pro-western Turks.

He says of the incident that his opponents in the union believe that Turkey's future is in the Arab and Muslim world "whereas I want to belong to the modern Western world. In any case, the Turkish Union of Chambers is a public body and attached to the state. It should conform to the laws we have on secularism."

He has twice served in national politics, though as he *puts it, only as an "amateur".*

Not surprisingly, he is one of Turkey's most active lobbyists for membership of the European Community, saying firmly that the country cannot belong to two clubs at the same time.

However, he feels that the image presented by Turkish guest-workers in Germany has had an adverse impact on his country's standing with German public opinion. "German opinion is very crucial for us," he says.

More than most people today, his ideas—and his enthusiasm for a secular, industrialised European Turkey—are recognisably products of the Ataturk decades during which he grew up. *They may seem a trifle old* fashioned in the 1980s—but it is because of them that modern Izmir is the city it is today.

Tobacco industry

Part of the heritage of the country

IN TURKEY'S Aegean region, cotton may be booming, heavy industry may be growing—but tobacco is still definitely king.

Turkish exports of tobacco run at around $300m each year. Exports—and very nearly all of the crop—consist of oriental tobaccos rather than the Burley or Virginia tobaccos which give the distinctive flavour to the best-known Western cigarette brands.

Turkey has a more or less unequalled position in the market where oriental tobaccos are concerned, being a much larger producer and exporter than other countries growing it such as Greece, Bulgaria and Yugoslavia.

Until very recently, the state tobacco and alcoholic beverages monopoly, Tekel, was the only producer of cigarettes in Turkey, but Tekel competed with the private sector as an exporter.

Last year the monopoly was removed and in theory the sector is now open for joint ventures. One company, Best, has been producing cigarettes in association with Rothmans for several years. But social and political interests are hopelessly entangled with business considerations in the Turkish tobacco world.

Forty thousand families grow the crop. The livelihood of several million voters may depend on it. Growers are divided furthermore between those on farms on the plains who grow up to 400 kilos on a donum (a Turkish unit of land measurement equivalent to 940 square metres) and those in the hills who manage only 50 kilos a donum each year.

Despite this, Turkey's imports of cigarettes match, more or less exactly, the country's tobacco export earnings.

The obvious solution would seem to be to admit that world tastes, including those of Turks, have changed and switch to growing Burley and Virginia tobaccos (assuming that the political obstacles to importing limited amounts for blending cannot be overcome).

But Turkish officialdom regards oriental tobacco as part of the country's heritage. Some experimental growing is taking place—but the changes are highly unpopular with the farmers.

Part of the explanation could be fear of unemployment. Growing oriental tobacco is more labour intensive than for other varieties. Last September, tobacco growers in Izmir, Manisa and Samsun on the Black Sea asserted themselves by voting in droves against the ruling Motherland Party. "The changes are in their interest but the growers do not understand," says one leading Motherland Party figure.

For the moment, little has changed for Izmir's principal tobacco exporters who include, as well as Tekel, companies such as Karagozoglu, Austro-Turk Tutun, a subsidiary of the Austrian state tobacco Tutuntex, and Sunel.

The Izmir tobacco crop in 1986 was about 110,000 tons. Each autumn sees Tekel and the merchants jostling for access to top-quality tobaccos as the market opens.

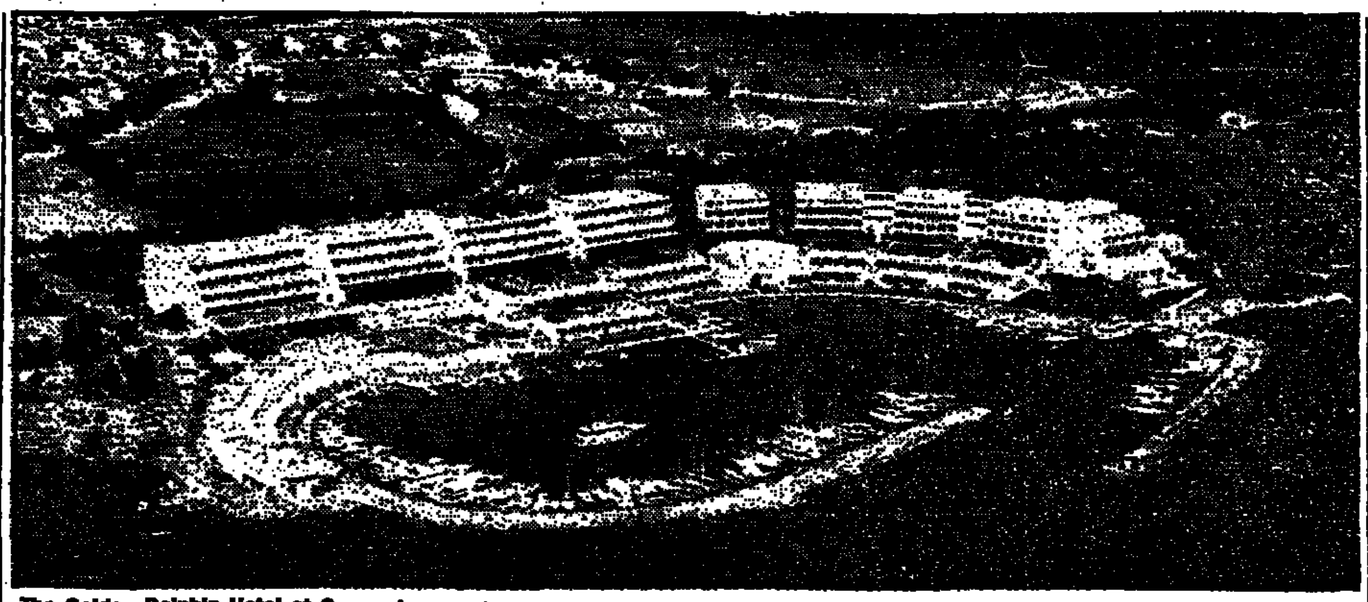
Tekel's average price tends to be about 10 or 12 per cent below that of the merchants (last year TL1,700).

By the end of the last season in Izmir, the merchants had bought 35,000 tons in all and Tekel about 75,000 tons.

"Tekel are not good buyers, storers or sellers," says one merchant. Nonetheless, this side of general elections at least, Tekel looks like keeping its dominant position. Several international companies have started negotiatons with the Government to make internationally-known cigarette brands. But Government insistence on foreign-led consortiums having to make use of huge "shell" factories, erected by Tekel earlier this decade and since standing empty, has made progress slow.

Instead, some of the more dynamic Turkish tobacco groups are now looking to other sectors. "The money to be made in tobacco is more on the money management side of things than on tobacco handling," says Mr Istemi Gurel, chairman of Sunel.

His group has made forays in recent years into the cement industry (it owns the largest stake of Cimentas, Izmir's main cement producer), iron and steel, and Ozakat group, Izmir's second largest industrial conglomeration.



The Golden Dolphin Hotel at Cesme is owned by the Yasar Group

Profile: Yasar Holdings

From paint to hotels

"THE GUIDING principle in business for me is that Turkey should develop by creating export-oriented industries," says Mr Selcuk Yasar, chairman of Yasar Holding, the Aegean region's largest industrial group and the third or fourth biggest in the country.

"Selcuk Yasar is the leading entrepreneur in the region," says a banker. "It is very difficult to imagine what Izmir industry would be like without the Yasar group."

The beginnings of the group go back only 33 years to a paint and turpentine factory set up by Mr Yasar's father, an immigrant from Rhodes. Over the next 20 years, the group expanded to 12 companies. Today it has grown to 47 with a total turnover last year of TL359.8bn ($599m).

Activities fall into several not very obviously related divisions. There are five companies still linked to the paint industry, with market shares of between 30 and 50 per cent. There are nine agro-related companies ranging from a fertilised company, Ege Gubre Sanayii A.S., which is the second most profitable branch in the group, to dairy products, drinking water, fish farming, meat, and brewing.

The group also includes a paper mill, a packaging plant, a mining company, an engineering consultancy firm, an insurance company, and a bank—the Tutunbank, in which Irving Trust of the US acquired a 40 per cent stake in March 1985.

All this was the work of Mr Yasar whom his deputy chairman, Mr Ali Nail Kubali, describes as the "textbook description of an entrepreneur . . . dynamic, aggressive, adventuresome, quick and demanding." Mr Yasar's framed portrait stands on the desks of all executives throughout the group.

Mr Kubali concedes that the group's diverse range of activities is partly a reflection of Turkey's protectionist economic structure. But there are other reasons for it too, he says.

"In Turkey you have to spread risk across economic sectors and industries. The rules of strategy and management are different from those of larger economies and markets."

Helping companies traverse the business cycle in Turkey, he says, is a bit like a mountaineering team. "Those companies which are currently on top help out those which are going through the slump phase of the cycle. The idea is to make sure that a company being supported is viable in the long run.

Yasar is proud of being one of Turkey's most innovative groups. Going into businesses (agro-industries and processed foods are one example) before any of the other large groups.

This does not always make for an easy existence. The Altinyunus tourism complex at Cesme is probably Turkey's leading resort hotel today and one of the most profitable companies in the group, earning TL 695m ($1.1m) after tax last year. But in the early 1980s it was a loss maker.

Mr Selcuk Yasar, chairman of Yasar Holdings: Izmir's leading entrepreneur

Beer, interest rates and politics have all created problems for the group in the past few years. Last year pre-tax group profits were down by TL 1bn on 1985 to TL 10.0bn ($16m).

Part of the explanation lies in sharply-increased interest payments—up from TL 16.1bn in 1985 to TL 34.2bn ($57m) last year.

However, a decision by the Ozal government in the spring of 1984 to clamp down on unlicensed beer sales also played a part. Yasar went into a joint venture with Tuborg of Denmark in 1967 and became the first private sector company to produce beer.

Annual capacity was originally 8,000 metric tons of malt and 150,000 hl of beer a year. Demand grew steadily and by 1981 the group decided to expand production for a second time, to 36,000 tons of malt and 1,350 hl of beer.

Just at this point, when the investment was being completed, the Government changed the laws covering beer sales and destroyed the distribution systems of Yasar and its only rival.

Explanations for this vary. One school of thought blames Islamic fundamentalists in the Motherland Party who wanted to outlaw the sale of beer. Others believe the Government was getting its own back: Mr Yasar had supported a rival party in the general elections.

Officials at Yasar duck the issue when questioned—but concede that the restriction on beer sales has hurt the group.

The conflict with the Ozal government is a little ironic since Yasar—more or less alone among Turkey's big holding groups—devotes a major part of its resources to earning foreign currency. "In 1983, the group's total foreign currency earnings were $2m-$3m," says Mr Kubali. "Today the figure is around $100m."

The group has 9,000 employees (making it about a third the size of Koc or Sabanci, Turkey's two largest groups).

Iron and steel

Private sector success stories

TURKEY'S iron and steel industry produces about 7.4m tonnes of products a year, 65 per cent of them coming from the public sector. The public sector iron and steel operations are, to put it politely, pretty well what one would expect: textbook cases of government insistence in a developing country on setting up large-scale heavy industry with little or no regard for market realities.

Even in the 1980s this process has not altogether stopped. Deceko, a new public sector iron and steel plant, is being built in Sivas in Central Anatolio. Just why it is going ahead, no one seems able to explain—but the reasons seem to have more to do with voters and with politics than with anything else

Not so the four private sector steel mills in the Aegean region. Created and managed by private investors, they have had to learn survival in international and local markets the hard way.

Times have not always been easy, but Turkey's private sector steel producers currently rank among their country's success stories. Most of the private sector production takes place in the Izmir region.

Cukurova Demir Celik, for instance, is the strongest company in the group whose name it bears, turning out 1m tonnes of steel a year. It is followed at some distance by Colakoglu (the main producer not based in Izmir) which produces 500,000 tonnes a year.

Then comes Metas, one of Izmir's best-known names, which hopes to achieve the same level this year for the first time, and finally Izmir Demir Celik and Habas (a new arrival on the scene) each produce about 300,000 tons a year.

The private sector producers go about things in a way which has brought success to similar ventures around the globe. They import scrap and melt it down, re-exporting a substantial amount of their finished products—about half in the case of Izmir Demir Celik, and about $30m-worth for Metas.

As Metas's general manager, Mr Isin Celebi explains, even after eight years of the Prime Minister, Mr Turgut Ozal's export-oriented policies, the domestic market is still more lucrative.

"We use exports to cover the costs of our imports and foreign exchange expenses. We need to go on with exports as an insurance. Conditions could change tomorrow."

Metas and the other companies which invested heavily in foreign technology and equipment in the 1970s are only too well aware that things can change suddenly.

They did so under the Ecevit Government in 1978 when the exchange rate guarantee on investment borrowing was suddenly ended, plunging many companies into a life and death struggles for survival from which they did not emerge in some cases until the middle of this decade.

In the last year, for example, Metas, has climbed back into the black, though is not entirely clear how this happened. "Our former foreign exchange rate risk problems were solved by team work and improved management," says Mr Isin when pressed.

Last year Metas's pre-tax profit of TL351.6m ($586,000) on gross sales of TL78bn ($130m) was eaten up by losses from previous years, including TL2,644bn ($5.8m) in 1985.

This year for the first time Metas's accounts will be externally audited by Deloitte Haskins and Sells and the expectation is that by the end of the year, accumulated losses will have been paid off.

Metas is in any case pressing ahead already with new investment projects.

Izmir Demir Celik, part of a group known generally as Izdas, has had an easier time. It made pre-tax profits last year of TL 1,774m ($2.9m) on gross sales of TL 25,645b ($42m).

Its progress under Mr Atilla Yurtcu who set up the original rolling mill in 1959 has been steady, though Mr Yurtcu currently puts most of his energy into running the group's export company from Istanbul.

He is a leading exponent of Mr Ozal's ideas and ran in the by-elections last autumn on the Motherland Party ticket for a vacant seat at Izmir.

Both Metas and Izdas have their eyes on similar export markets—Iran and Iraq, but also China, the Comecon countries, and even the United States.

"Transport and marketing are no longer a problem," Mr Yurtcu says. "The only difficulty is getting the price right in world market."

The region's industries include agriculture and food products, petrochemicals and textiles

Packaging holds back exports

Pinar, a Yasar Holdings plant, exports meat products

NEXT TIME your children ask for French fries with their Big Mac, they may unknowingly be boosting Izmir's export figures. An Izmir businessman, Mr Alpaslan Besikoioglu, *sells* MacDonalds the Idaho potatoes used by the fast-food chain in some countries.

Mr Besikoioglu is the latest in a long series of food exporters *from Izmir and the Aegean* region, where for millenia a warm climate, fertile farmland, and a major port combine to make farming big business.

Two years ago, Yasar Holding *opened a major* new meat-processing plant and slaughter-house near Izmir. It has since followed this up with the country's first marine fish farm, not far from its tourism complex at Altinyunus.

The Aegean region has 10 per cent of Turkey's total cultivated farmland, 8 per cent of its grain farms, but 22 per cent of its vegetable growing area and 29 *per cent of its industrial crops,* as well as 15 per cent of national meat production and 34 per cent of Turkey's egg production.

Several crops a year are raised on many farms which enjoy mild winters.

Piyale, Turkey's largest producer of Pasta and flour products, is based at Izmir. It was founded 65 years ago and makes about 43,000 tonnes of pasta and 1,500 *tonnes of dried soups* a year, and a long range of related products.

Turnover last year was TL 30bn ($46m) on which it had a return of about 5 per cent. *Though Piyale basically looks to* the Turkish market, its exports to the Soviet Union, Canada, and Western Europe.

Packaging is still more of an obstacle than it ought to be for perishable goods, though less so than in the past. Traditional exports tends to be ones which travel easily—like dried figs, raisins, or olive oil (though in Turkey most of the annual pro*duction of about 100,000 tons* tends to go to the home market) and of course tobacco and cotton.

Approaches from interested buyers often precede export deals.

After packaging, communications remain something of a problem. The new enlarged Menderes Airport at Cumaovasi should help cargo flights from Izmir.

A greater change will come when Denizli's proposed airport at Cardak opens next year.

Petkin relies on domestic market

AS ONE MIGHT expect is one of Turkey's most developed regions, virtually all industry in the Aegean belongs to the private sector, with the exception here and there of Sumerbank textile plants. However at Aliaga, about an hour's drive north of Izmir on the coast, the picture changes.

*Allaga has one of the princi*pal concentrations of heavy industry in Turkey outside Istanbul. There are two private sector steel mills, a petroleum refinery, and Alpet, the country's second petrochemicals complex, commissioned at the end of 1984.

The site is also the home of the headquarters of Petkim, the state petrochemicals corporation, which owns both Alpet and an older sister plant, Yarpet, at Yarimca in the north near Istanbul.

Alpet is a child of the heyday of import substitution thinking in Turkey. Within a few years of the building of the Yarimca plant, it became obvious that demand would outstrip supply and a second complex was decided upon.

Turkish officials and engineers are understandably proud of the resulting complex of 12 production plants standing grandly by the coastline at Aliaga.

The plant was contracted out in 17 different international tenders (today the Turkish government would probably have tried to negotiate a single contract, perhaps under the Ozal franchise model—if it had ventured into a direct industrial investment) and 11 licensing agreements.

To develop local industrial skills, each of the foreign contractors was obliged to work with a Turkish subcontractor.

"Turkish contractors got their basic industrial training here," says a Petkim official, "and then went on to use it in work in the rest of the Middle East."

"The present plant makes as much of its inputs as it can, including electricity. There is a 140Mw power station on the complex, powered by its 1,200 m3/hour steam generation unit. Assessing the viability of the project in a later period when *Turkey is supposedly switching* to trade liberalisation is not altogether easy.

For a start, some features of the investment have been overtaken by events. Last spring, *Turkey stopped using Dodecy*cle Benzene (DDB) in detergents and washing powders and switched to LAB—which has to be imported.

This means not only that Yarpet's DDB plant is standing idle except for a small volume of production for exports, but also that the propylene and benzene which Aliaga used to supply to it are no longer needed.

More ominously, users report that despite initial claims that imported LAB would be more expensive, once import surcharges are removed, it works out about the same as Petkim's DDB.

For although Alpet reported pre-tax profits of TL1.8bn ($2.7m) last year on sales of TL201.8bn ($310.4m) and Petkim as a whole reported gross pro*fits of TL10,700m ($16.4m) the* corporation is not without its cash problems.

It has been a heavy borrower from the Turkish commercial banks and recently became the first state organisation in Turkey to float bonds denominated in foreign currency.

It also has a long-standing problem with Britain's ECGD over debts which go back to the late 1970s — £10.5m and around $3m whose future is currently being negotiated, even though it carries a Treasury guarantee.

Like some Turkish private sector investors in the 1970s, Petkim seems to have found that importing technology is not enough; you also have to be able to survive in the market place.

Unlike most of the private sector investors of the 1970s who have their sights on export markets, however, Petkim can pin its hopes on being able to hang on to local markets which are still highly protected.

Where cotton is king

TRAVEL THROUGH Turkey's Aegean region in the summer and you will see some of the would's finest cotton fields.

"Turkey produces only about 500,000 tons of cotton a year," says Mr Ahmet Cetinbudaklar, President of the government-run agricultural cooperative, Taris, "but it is the quality of Turkish and Aegean cotton which gives it its recognised place in world markets."

Two thirds of Turkey's cotton crop *is grown* in the Cukurova, a plain in the south-east around Adana. Taris grows one third of the Aegean crop on its farms and turns out about 150,000 metric tons of cotton yarn in its *factories, of which about 100,000* tons are exported.

Taris is one of the largest producers in a crowded and often impressive regional textiles sector with a long history. In 1914, the Giraud *family*, until then carpet dealers, founded Izmir Pamuk Mensucat (in those data called "the Smyrna Cotton Manufacturers").

Seventy-three years later, it is one of Turkey's premier exporters of bed linen, and turns out 90,000 metres of cloth and 16 tons of yarn each day, with a total annual turnover of TL18,751m ($28.8m) last year.

It is spinning, however, on which most Turkish textiles producers concentrated until very recently. The star of the Turkish spinning scene is undoubtedly Soktas of Soke, about 110km south of Izmir.

Soktas began—like many Aegean industrial ventures—as a sort of farmers' and businessmen's cooperative in the early 1970s in which one family, in this case the Kayhans, eventually became diminant though even today most workers are also shareholders.

Soktas's reputation in the market is a bit awesome. "there are just not enough companies like this one around," says a foreign banker. "They are doing everything right. It is a textbook example of how you prosper in a competitive business if you know your customers thoroughly and lower costs continuously."

For its first few years, until it paid off its original investment borrowing in 1980, Soktas proceeded very *cautiously*, relying heavily on foreign consultants and external auditors. Since 1980 it has expanded and automated its spinning operations and this October will start weav*ing operations at a* plant which its general manager, Mr Muharrem Kayhan, hopes will be the best weaving operation in Europe.

Of its exports, 65 per cent go to the European Community, mostly Britain and Italy. Soktas likes to sell direct to users and by-pass merchants to save on commission.

"People are prepared to pay higher for Turkish yarn than for its competitors," says Mr Kayhan. "When we sell to the EC, our price is the highest imported yarn price by far. On the other hand, the French are only just beginning to find out about Turkish yarn, while the American market will never be a big one for Turkish exporters.

"A US customer tends to want a discount of 15 per cent on local prices. The US buys about 3,000 tons of Turkish yarn a year, while the Community takes 80,000 tons. Things are different for cloth and garment exporters."

Just how different *is shown* by the example of Denizli Basma ve Boya Sanayli, two hours away in Denizli. Denizli Basma has little of the high tech and aggressive marketing of Soktas.

But at Denizli Basma, the plant works 24 a day and out-workers are busy in towns for miles around, trying to keep up with bulk orders from the US.

Last year the firm exported $10m of printed cloth and ready-to-wear garments to the US. This year its exports should reach $15m.

Profits last year were TL861,200m ($1.3m). Just over half the firm's TL325m capital belongs to the Sivri family.

Though its export growth looks spectacular (five years ago, exports were only $1.6m), the picture is not entirely rosy because of US attempts to restrict Turkey's textile exports. Each summer Denizli Basma faces two hurdles.

The first is getting the US government to agree to increase its quota for Turkish ready-to-wear. The next is trying to secure its share of the allocation made by the Exporters' Union — without which a US importer may be deprived of the goods its wants even if a quota is awarded. Past performance is the main, but not the only, principle involved in the allocation.

Banking

Local names dominant

IN AN ALREADY overbanked country, Izmir looks overbanked. The 1.6m people who live in the Izmir metropolitan area have no fewer than 349 bank branches to serve them. Attracted by a prosperous population and a steady volume of export business, all the major commercial banks are present in force in the city.

So too are some foreign banks. Citibank has had a branch in Izmir for several years and its manager, Mr Bradley Lalonde, is a key figure in local business life. More recently, American Express's Turkish subsidiary, KOC-American, has opened a branch and there are three or four other branches of banks such as BCCI.

"From the banker's point of view, Izmir is a very liquid, export-oriented place," says Mr Rafael Taranto of the Egebank. "You never really have much difficulty in getting the funding you need."

This may explain the prominence of local banks in Izmir. There are three of them altogether including the small and often overlooked Tarisbank (Milli Aydin Bankasi, to give it its full name) which belongs to the agricultural co-operative Taris and which last year managed a profit of TL 760m ($1.2m).

The name of Izmir banking however basically rests with local banks which have developed much wider reputations.

These are the Egebank and the Tutunbank, owned respectively by the Ozakat and Yasar groups. Both are relatively modest in size—the Tutunbank (the name means Tobacco Bank) has 38 branches, and capital of TL 8,336m ($13.8m) and at the end of 1986 had deposits of TL 91.6bn ($152m).

The Egebank has 28 branches, though another five are about to open, and capital of TL 5,391bn ($8.9m) (an increase is in the *pipeline) and had deposits of* TL 67,653bn ($112m) at the end of last year in neither case does the present ownership of the banks go back very far. The Ozakats bought the Egebank in 1976 and the Yasar group purchased an *80 per cent stake* in the Tutunbank and moved its headquarters to Izmir in 1980.

Both banks are well positioned in Izmir's export markets and in May, 1985, Irving Trust of New York purchased a 40 per cent stake in the Tutunbank—an arrangement which still remains unique in Turkish banking, though word is that Egebank might not be averse to a similar deal, if a suitable foreign bank were interested. After a difficult first year during which considerable management changes were needed, the *joint venture settled down well.*

Tutunbank's net income rose by 46 per cent in 1985 and by 208 per cent last year to TL 3,067m ($5.1m). Net income for the Egebank rose by 28 per cent to TL 1,774m ($2.9m).

Even so, Tutunbank still needs to grow to a large size before it can be sure of holding its place in the market inde*finitely. Irving, moreover, would* like to increase its stake in the bank from the present 40 to 51 per cent. But the Yasar group, unsurprisingly, is against the idea.

"According to the government, decree involved, Irving Trust cannot have more than 49 per cent," says the bank's chairman, Mr Selcuk Yasar. "Furthermore, as Yasar group, we are against the idea of a partnership."

Meanwhile, changes are afoot at the Egebank, where the outgoing general manager, Mr Burhan Karacam, *has gone off* to run a small German bank owned by the Cukurova group. He is to be replaced by a Turkish-American banker, Mr Ustun Sanver, 38, an Izmirli who *is returning home from a post* with Bankers' Trust in New York to take up the job.

Both Manisa and Denizli have, in their individual ways, established dynamic business environments

Industrial zone proves a useful magnet

UNTIL 1970, Manisa was a charming but sleepy inland town forty five minutes away from Izmir by road. Its principal claim to fame was that in the early Ottoman Empire, successive sultans had served their apprenticeship in government there as crown prince.

In 1970, however, things changed. Turkey's second-ever industrial zone was opened there and since then Manisa has been a magnet for some of Turkey's most exciting industrial ventures, leaving the more sedate business world of Izmir well behind.

The zone was the brain child of the town's chamber of commerce, as long ago as 1964. It took four years, however, to get the green light from the government for the project and a further three years to build it.

The 1.750m sq metres zone cost about $8m at today's prices and has been full to capacity for several years. Work is now starting on a 2m sq metre expansion so that applicant firms will not have to be turned away. The new work will cost about $10m.

"We found it very hard to attract industry from outside the area in the early days," recalls Mr Metin Ersan, one of the zone's administrators. "Investment was picking up in Turkey but the new investors generally tended to stay around Istanbul and well-known places.

"So from 1974 onwards we launched an effort to introduce ourselves to them. We produced our own brochures and went around the big groups. It was an information rather than an advertising campaign." The two main advantages which Manisa had were its proximity to the port of Izmir and the cheapness of its workforce. It was also early into the market. In those days, the only other industrial zone in Turkey was at Bursa, near Istanbul. By 1986, there were no fewer than 36 industrial zones under way.

By then, however, Manisa was fully established with 61 plants on the site, ranging from textiles to chemicals to packaging and electronics. Total employment was 9,150.

Some of the firms setting up have been foreign investors. Later this year, the National Can Company of the US, will open its Turkish operations with a $13.5m plant, the first stage of a planned $30m investment.

Not all the interesting plants on the site, however, are foreign. One of the most prominent names is Raks, an Izmir company which moved to the site about five years ago. Raks is one of Turkey's most ambitious companies.

It makes electrical appliances such as fans and clocks, but also audio and video cassettes. Two local businessmen, Mr Aslun Onel and Mr Ataman Bukey, set up the company with the avowed aim of achieving excellence—and success in international market.

The company makes virtually all its inputs itself, right down to cutting its own screws and printing its own labels. Mr Pulat Iplikci, the plant's manager, explains that both horizontal and vertical integration are needed because of the unreliable quality of most local producers. Economies of scale, he says, are not much affected.

How has it been done? Since the beginning of the decade Mr Onel, an entrepreneur since his teens and still only 44 years old, says the group has invested over $150m, with $15m being spent in 1987 alone. Most of this sum apparently came from the group's other companies.

About 80 per cent of the elegant blue electrical fans made by the group are exported, mainly to Middle Eastern destinations. At present only about a third of the cassettes made by the group are exported, though a vigorous international advertising campaign is under way to familiarise foreign markets with the brand.

"It takes about three years to break into a new market," says Mr Onel "Things don't really get going until the fourth year."

Raks produced 50m audiocassettes and 20m videocassettes last year, and plans to boost these figures to 75m and 35m respectively this year. Export markets are in North America, the EC, and Australia, as well as the Middle East.

To meet production targets, the staff work four shifts seven days a week and are bused in from Izmir

Next door to Raks in the Manisa industrial park is Vestel, a TV and electronics manufacturer belonging to the UK-based Polly Peck International and opened only two years ago.

Paid up capital is TL 9bn ($10.5m) but the company says that it is continuously investing and upgrading its production line which has changed more or less totally since the May 1985 opening.

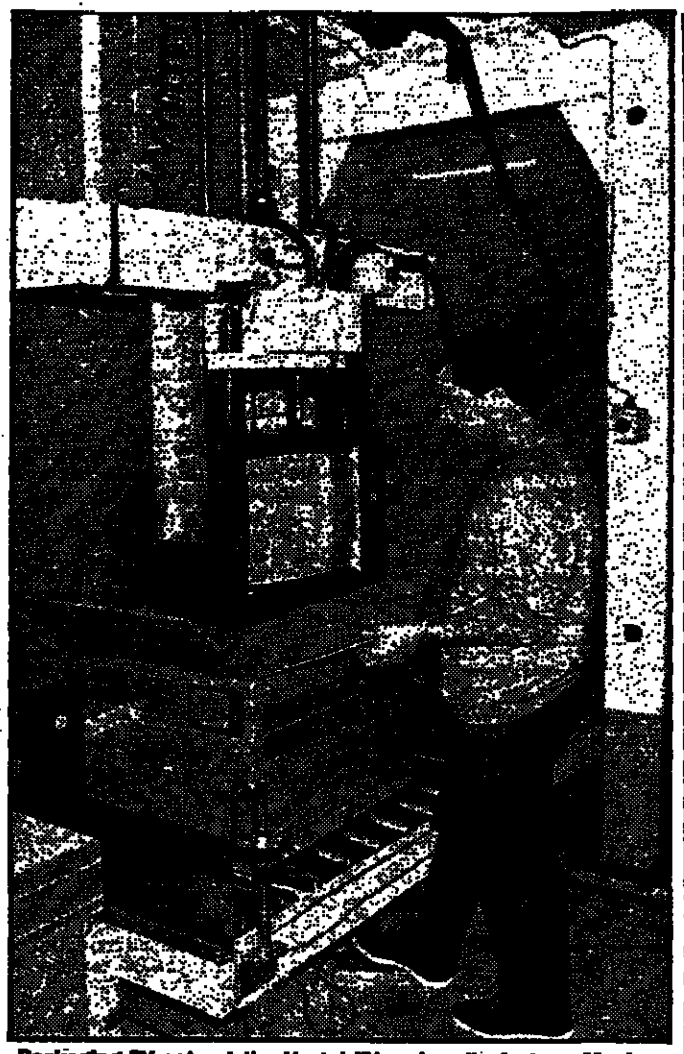
The company's manager, Mr Lutfu Yenel, says that Vestel is well pleased with its choice of Manisa as a location. "Land is cheap and labour is plentiful and we can attract plenty of good engineers locally from Izmir. We are paying only $2 per metre annually over five years to purchase our site. On top of that the surroundings are extremely pleasant."

But he adds that being distant from suppliers and subcontractors is a bit of a disadvantage.

The group made swift inroads into the Turkish market, helped by shrewd marketing strategies and a brilliant advertising campaign. It is now looking to export markets and landed an order last month to supply Bush of the UK with 50,000 sets.

It has also set up a joint venture with Goldstar of Korea to manufacture up to 200,000 microwave ovens—something as yet totally unknown in Turkey, though the majority will be for export.

Last year, says Mr Yenel, Vestel was number three in the Turkish consumer electronics market. This year it expects to push up into second place. If things continue to go well, it hopes to be market leader by the end of 1988.



Packaging TV sets at the Vestel TV and audio factory, Manisa

Farm goods and textiles

DENIZLI has no foreign investment. The names of Turkey's biggest industrial groups, such as Koc and Sabanci, are missing from the roll of local employers. There has been virtually no public sector investment in the province.

A recipe for economic backwardness and social misery? Not at all. Denizli is one of the boom provinces of Turkey with an obviously prosperous populous who are confident of steady economic growth and do not believe they will have to go innto debt to achieve it.

Mr Turker Baykal, local manager of the Turkiye Is Bankasi and himself from Denizli's big brother, Izmir, explains: "In many ways, Denizli is a much more go-ahead and dynamic business environment than Izmir.

"All the local firms here are sound. Exports are growing steadily. I would calculate that last year the town exported more than $50m of its products, mostly farm goods and textiles."

Economic life in Denizli is dominated by families, just as it is in Izmir and other Turkish business centres. Most started looking from the land to industry in the late 1960s.

Not everyone struck gold. The industrial landscape here as in the rest of the Aegean is littered with the debris of small companies which proved incapable of managing their investments. Companies set up by workers returning from abroad were particularly vulnerable.

Rescuing such projects is the work of Desiyab, an Ankara-based state investment bank, which injects new management and cash until they are on a sound footing once more and can be sold off.

Denizli is the home of one of Desiyab's most striking successes at Denizli Cam, the country's only glassmaker not to belong to the Is Bankasi's industrial empire. From heavy lossmaking and near-closure in 1984, Denizli Cam made a profit of nearly $1m last year, and is currently building a new plant with the help of British consultants, King, Tandevin, and Gregson of Sheffield.

Denizli Cam is the seventh largest company in a varied local scene which includes one of Turkey's biggest cable makers, Ergur Kablo, and makers of household goods, packaging, agricultural products, and several textile companies, as well as a host of agricultural businesses.

The diversity is not accidental. "When you look at the industrial structure of Denizli," one manager explains, "you can see that protectionism goes very deep. There is a desire to select industries which no one else is already in and to avoid competition with your friends. It is potentially not very healthy."

Denizli's great advantages are much the same as Izmir's. Labour is plentiful and the workforce is well-educated. Energy costs are low because of the mild climate. Though it is 175 km from the sea, the town lies in the broad plains of the Menderes valley (the river which gave the world the word "meander"). Farmers can grow almost any crop they choose—several times a year.

"People begin as farmers and then go into trading," says Mr Akil Yagci at Dentas, a packaging company. "Eventually they look for other ways to use their money and go into industry. But around here they always avoid debt."

Denizli also has considerable potential for tourism, being more or less equidistant between Izmir and Antalya and a natural midpoint for travellers going between the Aegean and the Mediterranean. Nearby are one of Turkey's most marvellous sights, the petrified waterfalls of Pamukkale, and the much-publicised ruins of Aphrodisias are also close.

To tap the tourism potential, more infrastructure is needed. "We paid TL50bn ($76m) in taxes last year," says Mr Haluk Muftuler at the town's Chamber of Commerce. "But we didn't get back even TL1bn ($1.3m) in services."

The complaint is justified because, though Denizli is not one of Turkey's more remote centres, it is off the beaten track compared to Istanbul or Izmir. Izmir Airport is a three-hour drive, and the journey to Istanbul consequently takes a whole day.

Denizli Basma ve Boya, the town's biggest exporter, feels that it is handicapped by the delay. "Istanbul is all that many foreign buyers ever see of Turkey," says an official at the company.

To offset this, Mr Muftuler is looking forward to the opening of the Nato military airport at Cardak, 60 km away, to some civilian and cargo flights next year. This should be a big help for farmers wanting to export perishable foodstuffs.

He would also like to see Fethiye, rather than Mersin or Izmir, being turned into a port for Denizli, though a glance at the map and the roads between the two towns raises questions about the practicability of this. However, some chrome shipments are already being made out of Fethiye.

A few miles north of the town is Denizli's industrial zone with space for 150 factories. The town hopes that some foreign investment will come to the site.

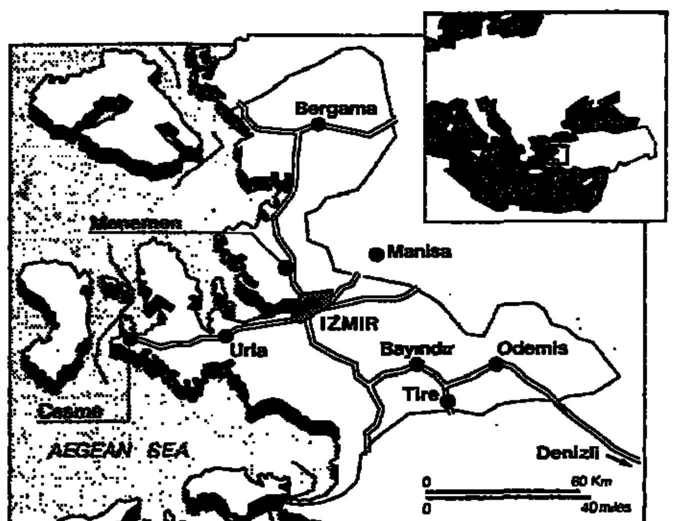
Many companies are preparing for expansion anyhow. There is talk of a cement plant. Dentas, founded in the early 1970s by Mr Cafer Abalioglu, is now girding itself to set up a paper mill. Dentas expects profits of TL2bn ($2.1m) this year on sales of TL11bn ($11.5m) and will use them on the project.

The history of Dentas is instructive. Its initial ventures into industrial operations were made without the help of outside consultants, relying heavily on advice from supplier companies.

The results were not altogether easy for the first few years, though Dentas got the most important thing right: it had its bank borrowing denominated in Turkish lira and so was spared the shocks which battered many other companies when the currency began to sink at the end of the decade.

Denizli looks from the outside like an area where the policies of the Prime Minister, Mr Turgut Ozal, are working well. Many, though not all, local businessmen dispute this. Trade liberalisation seems to be actively unpopular with them and there is a clear wish to see more subsidies for farmers.

"We import too much these days; things we don't really need, like foreign cigarettes," says one of the town's business leaders. "If foreign cigarettes have to come in, well a few can always be smuggled," he adds, standing one of the Prime Minister's favourite arguments neatly on its head.



Tourism

Boom reaches Aegean resorts

TOURISM is a boom industry in Turkey's Aegean region, and after a disappointing season last year, the 1987 figures are surprising even among the operators themselves.

Arrivals this year in the five months ended in May were a whopping 74 per cent up on the 1986 levels and more than double official projections. Some Turkish resorts, overshadowed for years, are now actually more crowded than more *familiar* Greek ones across the water. Kasadasi, for instance, is much more crowded this summer than Pythagorion, the premier resort of near-by Samos.

The boom in Aegean tourism follows two distinct waves of investment. First came government spending on *infrastructure*. It has built new airports such as Dalaman (opened in 1980) and latterly the refurbished Menderes airport at Cumaovasi outside Izmir which should be able to handle up to 4m travellers a year.

Along with this has gone work on roads and telephones. Gone are the days when people would take a boat to Chios just to make a telephone call.

Next came the private sector investment in hotels and holiday villages.

The region's premier resort hotel, the 1,030 bed Altinyunus (Golden Dolphin) complex at Cesme illustrates the change. When it was opened in 1974, as part of a joint venture between the Yasar group and a Danish company, *tourism in Turkey* was an economic sideshow. In the early years foreign tourists did not come and most of the guests were Turks, paying in local currency.

In the early 1980s the hotel was actually losing the group money.

No longer. The number of visitors staying at the Altinyunus rose from 23,312 in 1983 to 40,852 (or 172,986 bed nights) last year. The complex made a gross profit of TL 889,979B ($1.3m) and is now one of Yasar's more profitable operations.

In the summer months, the *overwhelming majority of the* guests are foreigners, mostly from northern Europe. But, as the Altinyunus's deputy general manager, Mr Aydin Alam explains, tourism operators in the Izmir region feel more than a little disadvantaged vis-a-vis those on the country's Mediterranean coast.

"Here in the Aegean, we have to make all the infrastructure ourselves. We can't rely on the government or the local municipality for support as much as they can in the south. We have to build our own wells, access, annd even an emergency generator," says Mr Alam.

Despite this—and a tendency for the Aegean to become the area where well-to-do Turks have their holiday homes—the *region's tourism industry is set* on an upwards course.

Izmir is not only a major business centre, but also the main city in a region with more or less unequalled tourism attractions. Around it are some of the most famous ruins anywhere in the world—Ephesus, Pergamon, Pammukale, Sardis, Aphrodisias—which generate their own streams of visitors.

The tourism director for the region, Mr Serif Unal, says that one bottleneck is finding qualified personnel and completing necessary infrastructural developments. Hotel building is going on apace.

Apart from the proposed new Sheraton in Izmir (partly finannced by Polly Peck International) and the Hilton, there are plans for a third five star hotel, five new four star hotels, and others right down to the *motel level. But it is less clear* that the supply of trained hotel staff will be able to keep pace with this upsurge in demand. Over the next two years, a total of 5,000 new beds will be added to the existing ones, part of a nation-wide process which is expected to have taken Turkey's stock of certified tourist-class beds from 60,000 to 120,000 within three years by next spring.

The opening of Menderes airport *will make it much easier* for large numbers of charter flights to come into the city and to connect with destinations such as Bodrum and Kusadasi.

The number of these is growing very fast. Last year, Mr Dincel (a former air force general) says, Izmir had 1,000 charter flights. This year the figure is 1,700.

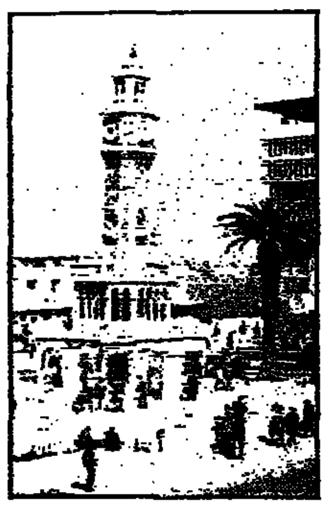
At the chamber of industry, Mr Ersin Faralyali points out that tourism is going to be the region's major moneyspinner until well into the next century. Some hotels, he says, have bookings right through until the year 2,000 and in many of the best ones it is virtually impossible to get a late booking during the summer months.

Turkey is relatively new as a major tourism country and the *development of the industry has* been less bumpy than some *feared a few years ago.*

But there are some snags, of which holiday makers, especially those in yachts, should be warned. The country's bureaucracy is only gradually learning that foreigners are more used to a liberal environment. There can be snags for tourists, such as yachtsmen, who bring what the customs authorities regard as valuable equipment into the country—and have it accordingly marked into their passports.

It is only fair to point out that such events are very much the exception rather than the rule.

The system *seems* to be adjusting gradually. For most modern tourists, their strongest memory of a holiday in Turkey this summer will be a sense of wonder—at the ruins of Ephesus, the waterfalls of Pamukkale, and literally unbelievable translucent *blueness of the* sea around Cesme.



Izmir's famous clock tower

Profile: Mayor Ozfatura

Izmir's social conscience

"FOR THEIR own good" says Mr Burhan Ozfatura, the 43-year old mayor of Greater Izmir, "future generations should go a bit into debt."

Mr Ozfatura, who was elected mayor of Izmir in 1984 on the ticket of the ruling Motherland Party, is presiding over a period of urban renewal in his city's life which parallels the much more widely advertised renewal in Istanbul.

"*Istanbul has three times the* population of Izmir but enjoys 12 times its income," says Mr Ozfatura. Izmir gets about Tl 30bn (£21.95m) from the central government and has to find the rest of its spending from its own resources.

Arguably there is less work to *be done. Outwardly Izmir has* none of the sprawling Third World atmosphere of Istanbul *in the early 1980s.*

But there are infrastructural and environmental problems just the same. The most severe of these hits the traveller's nose as he drives into the centre of the city from the industrial suburb of Bayrakli.

A major dredging operation, financed partly by the European settlements Funds and partly by the Kuwaiti and Saudi Development Funds is under way. The aim is to make the *waters of the Bay of Izmir,* almost as unpolluted as they were only a generation ago in the 1950s.

This is only the most eyecatching of a series of activities which have taken Izmir's budget from TL7bn, the year before Mr Ozfatura took office, to an *expected TL120bn in 1987.*

"We are suffering as a result of badly directed urban development in the past," says Mr Ozfatura. He says that 84 per cent of the development funds have gone to the city's shantytowns which house an immigrant population from the rest of Turkey. "We have solved their sewage problems," says Mr Ozfatura. "And now 85 per cent of them have mains water. Others are served with water from tankers. Roads in these districts are now mostly asphalted."

"This is not a political investment," he says, "But an urgent necessity."

In general, however, the mayor is proud of his city's level of prosperity. Izmir has the best medical services in Turkey, he says, with numbers of doctors and hospital beds per head run*ning at the same level as* Vienna's.

Literacy levels are well above the national average and there are two universities. When the new Menderes Airport at Cumaovasi is completed, Izmir is expected to have better international connections by air than the Turkish capital Ankara.

A building programme is under way to add 17,000 new homes to the city's housing stock—with 10,000 due to be completed in 1987 alone.

"But our main problem is migration to the city," says Mr Ozfatura. Only 30 per cent of the city's population were born in it. There are an estimated 40,000 new arrivals every year, most of them from Turkey's backward eastern and south-eastern provinces.

"Somehow we will have to slow down the population *increase," Mayor Ozfatura says.*

As a form of social relief, he has opened 39 kitchens to dole out food for up to 16,000 poor, aged, or widowed individuals. About 4,000 scholarships for students from poor families have been set up.

If this sounds somewhat like traditional piety, it is no accident. Mr Ozfatura comes from the pious wing of the Motherland Party. He is a native of Bursa, a city between Istanbul and Izmir. He went to university at the seed bed of Turkey's civil service, the Faculty of Political Sciences in Ankara, where he studied finance and accounting.

Later he settled in Izmir, teaching at the university there and writing on business and economic topics in one of Turkey's daily newspapers.

His aquaintance with the prime minister, Mr Turgut Ozal, stretches back to 1972 and for a while he acted as his adviser on tax affairs.

However, until the formation of the Motherland Party in the spring of 1983, Mr Ozfatura had *never been a member of a politi*cal party.

Izmir was relatively little affected by the political violence of Turkey in the late-1970s and Mr Ozfatura ardently hopes that the tranquility will continue.

Ordinary citizens express broad approval for the way the city has been run under him.

Business guide

Consular axe unwelcome

THERE ARE about 12 flights a day on Turkish Airlines to Izmir, but only one direct flight daily (at 8 pm) from Ankara.

At present all flights land at *Cigli, a military airport* on the coastal flatlands north of the city. At an unspecified date later this year, the old airport at Cumaovasi will reopen with a new terminal, renamed as Menderes Airport. This will chiefly benefit travellers on their way to the coastal resorts south of *Izmir, such as Bodrum and* Kusadasi.

For internal flights, there is a bus to the airport leaving from the door of Buyuk Efes Hotel an hour and a half before take-off.

Air travel is the most painless way to arrive. Intercity highways are congested and not for the faint-hearted or inexperienced driver. There is an overnight sleeper train service to Ankara. It leaves at 6 pm each night from each city and is supposed to arrive around 10 am the next morning. In practice, it may be as much as six hours late.

A ferry boat leaves Istanbul on Fridays and arrives in Izmir on Saturday morning, departing from Izmir again on Sunday evening to arrive back in Istanbul on Monday. Berths tend to be booked up well in advance even in winter.

Few international airlines currently fly into Izmir, though Lufthansa and KLM do so a few times each week. Turkish Airlines has direct flights once a week to some European cities including Athens, London, Nicosia, Paris, Rome and Zurich.

Consulates

The United States, France and Greece maintain full consular services in Izmir. Britain is represented by a hard-pressed Vice-consul (Tel 211 795) whose helpfulness towards travellers in trouble (especially those who have been involved in a road accident—something which can give rise to serious legal complications in Turkey) is legendary. But there is a strong case for returning to the fuller representation, particularly for commercial affairs, which existed before the Foreign Office wielded its axe in the mid-1970s.

There are many churches in the city, mostly Catholic, and a Catholic archibishop. The Church of England maintains a church contactable through the consulate, presided over by a grandly-styled Archdeacon of the Aegean.

The people

Izmir is basically a merchant city, and this makes it somehow both more Western and more conservative than Istanbul. Family ties tend to be very strong. There is less conspicuous consumption. On the other hand there is less formality over clothes and other matters—probably because of the climate.

Where to stay

Hilton, Sheraton and Plaza Hotels will appear in Izmir before the end of the decade. Until then the traveller basically has to choose between the Buyuk Efes Oteli (tel. 144 300, telex 52341 Efes TR), with 446 rooms, satellite television, and a swimming pool, and the Etap Oteli (tel. 194 090, telex 52233 Eti TR) just across the road.

The Etap is perhaps somewhat more geared to the requirements of the modern business customer than the Buyuk Efes whose style is friendly but a touch Eastern European. But the Etap lacks a swimming pool.

Both hotels are extremely conveniently situated in the middle of town. Avoid taking rooms overlooking the pool at the Buyuk Efes—the pool is rented out for parties several evenings a week and the music can be loud. A single room at the Buyuk Efes costs about $73 and at the Etap about $49, though this somewhat overstates the difference between the two hotels.

If, as often happens in summer, both the Buyuk Efes and the Etap are full, you could stay at the Anba Oteli (Cumhuriyet Bulvari 124, tel. 144 380) or the Izmir Palas (Vasif Cinar Bulvari 2, tel. 215 583, telex 53041).

Eating out

Izmir's number one restaurant is the Park Restaurant (Park Turistik Isletmeleri A.S., Kulturpark, Izmir, tel. 193 590), which is partly owned by Yasar Holding.

The main rival to the park is Yengec, just off the waterfront in a renovated 19th century Greek house with Art Nouveau decor, serving mostly traditio*nal fish dishes.* (Cumhuriyet Bulvari 236, Alsancak, Izmir, tel. 217 368).

Along the waterfront in Alsancak are a number of fish restaurants, though most of these are little more than tourist traps. Deniz-1 (Ataturk Caddesi 188/B, Tel. 220 601) and Deniz-2 (slightly more informal) are probably the best of these. For kebabs, try Mangal (Ataturk Caddesi 110/B, tel. 252 860).

Finally, for strictly informal evenings where the raki flows freely, you might look up either Klob Orhan (1469 Sok 28 Alsancak, 216 643), situated in a side street, which serves excellent fish. It is the sort of restaurant Ernest Hemingway might have loved.

For cakes and ice cream, try the Cafe Plaza, also in Alsancak.

Cultural activities

People in Izmir grumble that there are not enough concerts and plays, though the city's festival, held for the first time this summer, may change this. The Ataturk Kultur Merkezi is the scene for occasional concerts and there are also performances of plays in Turkey by the state theatre and sometimes of operas.

This year has seen several concerts, of classical and nonclassical music in the Roman theatre at Ephesus. The occasion is inevitably a scramble since it is at least an hour's drive away from the city *but the* builders of the theatre know more about acoustics than their modern successors. If you have the chance to hear a concert of classical music here, seize it.

In Izmir itself, there is a magnificent castle, partly built by the knights of Rhodes, known as the Kadifikale, on the ancient Mount Pagus.

Virtually the only survival from the Roman city, which was regarded in its day as among the most beautiful in the world, is the Agora.

A short drive outside the city to Kemalpasa, takes one to the Nymphaeum, a palace built by the Byzantine emperor Andronious I Comnenus (1183-85). Further afield like many of the world's best preserved ancient sites—Ephesus, Pergamon, Sardis and (a longer journey) Aphrodisias and Hirapolis (Pamukkale). All are *totally* different in their settings and appearence and each is well worth a visit.

Those interested in exploring these and a host of lesser cities should consult George Bean's justly famous guide book Aegean Turkey and Turkey beyond the Meander, both published by John Murray.

There is a multitude of places to go for picnics and short excursions.

Trips to the Greek islands are possible from Kusadasi (to Samos), Cesme (to Chios), Ayva*lik (to Lesbos)*, and Bodrum *(to* Cos).